UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1991/SR.30
20 June 1991

ORIGINAL: ENGLISH

GOVERNING COUNCIL

Thirty-eighth session

SUMMARY RECORD OF THE 30th MEETING

Held at Headquarters, New York,
on Friday, 14 June 1991, at 3 p.m.

President:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. KRAMER (Vice-President)	(Canada)

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The meeting was called to order at 3.15 p.m.

PROGRAMME IMPLEMENTATION (continued)

(c) NATIONAL EXECUTION (continued) (DP/1991/23)

1. Mr. OUALI (Algeria) asked for more information on the role envisaged for UNDP, and the role that UNDP intended to give to the specialized agencies, in the area of national execution. His country was surprised that the agencies did not seem to have been sufficiently involved in an evaluation of experience in that area and in the preparation of a possible new modality. The opinions of Governments should also be taken into account.

2. The new modality should not necessarily mean an increased role for OPS. UNDP's role must remain that of a central agency charged with financing and coordinating development assistance. During a transitional period, OPS could play an active role in providing administrative and operational services within the framework of support cost successor arrangements.

3. In order for the national execution concept to be implemented in the field, countries should be helped to promote or strengthen their national capacities in the area of programme and project management. The transfer of skills carried out by UNDP through its programme of assistance should also cover that area. Procedures governing the formulation, implementation and evaluation of programmes and projects, as well as administrative and financial procedures, should be simplified as part of the decentralization policy envisaged by UNDP.

4. Algeria drew attention to the rather delicate position of certain countries whose cooperation programmes were quite modest. He wondered what the point would be of creating an entire institutional infrastructure and mobilizing significant human resources for a meagre portfolio of activities.

5. Ms. JACOBSEN (Observer for Norway), speaking on behalf of the Nordic countries, said that national execution meant that Governments assumed responsibility for the ownership, direction and management of programmes and projects. Greater use of that modality would allow Governments to take sole responsibility for both the coordination and the optimum use of external assistance.

6. For national execution to fulfil its objectives, there must be a genuine transfer of responsibility for programme and project execution to recipient countries. The Nordic countries were somewhat sceptical about the Administrator's proposal in 1990 to distinguish between execution and implementation in defining national execution. That might lead to the introduction of national execution as a purely theoretical concept, while allowing for the continuation of traditional project handling and control both by United Nations agencies and by UNDP field offices. To overcome such a

(Ms. Jacobsen, Observer, Norway)

situation, recipient Governments must play a more substantial role at an early stage of programme and project development.

7. UNDP field offices should play a major role in helping Governments develop and increase their capacity for programme and project execution, but should refrain from being significantly involved in actual project implementation. It was surprising that it had taken so many years since the first introduction of nationally executed projects to propose a review of governmental procedures and systems in order to establish a set of consistent procedures in each country. In the past, there had been an unfortunate distinction between agency-executed projects and nationally executed ones; there was scope for greater varieties of cooperation between Governments and agencies. More emphasis on a real transfer of skills and capacity-building would be needed.

8. The Nordic countries would like more information on the Administrator's proposal to establish an inter-agency facility for the creation and enhancement of national capacities for national execution.

9. Mr. VAN UFFORD (Netherlands) said that UNDP support to recipient Governments was essential in achieving national execution, but that strengthening national capacities to execute, develop and monitor UNDP programmes and projects was not just an external process. It was not sufficient to receive training and additional financial inputs; the experience acquired by doing the job oneself was equally indispensable. That inevitably meant accepting a certain rate of failure; without delegating some responsibility, goals would never be met.

10. His country had always favoured the modality of national execution, so long as financial accountability was guaranteed. Nationally executed programmes and projects would have to be thoroughly evaluated, which placed high demands on the system. The future role of both UNDP and the agencies lay above all in supporting the process of programme development. They should provide administrative assistance and project execution only when that was required by the national authorities. The assistance most needed was at a higher level of expertise. UNDP should focus more on national capacity-building in order to enable recipient countries to develop and execute programmes and projects themselves. It was important to involve recipient countries at all stages of the programme cycle.

11. Ms. LONGINOTTI (Italy) said that making too sharp a distinction between execution and implementation, together with giving an increased role to UNDP field offices and OPS, could dangerously alter the concept of national execution. It was important to increase the percentage of nationally executed projects in reality and not just numerically.

12. Her country strongly supported the concept of substantive national execution through prior strengthening of national capacities and a gradual

(Ms. Longinotti, Italy)

case-by-case approach. It was up to each developing country to decide when and to what extent it wished to use national execution, bearing in mind what that meant in terms of execution and management responsibilities, accountability requirements and technical and administrative support from United Nations agencies and OPS.

13. Mr. MAHBUB (Observer for Bangladesh) said that since its introduction in 1976, the concept of national execution had remained just that - a concept - with only a small number of countries accounting for the bulk of nationally executed projects. National execution would not undermine the role of the specialized agencies, it would help develop a new relationship with them, based on a changed situation. In his country, national execution was in its infancy, but careful moves within a specific time-frame for bringing more and more technical assistance projects under national execution had been initiated.

14. The employment of local experts could help to contain the brain drain, provided that technical assistance stimulated demand for local expertise and simultaneously encouraged an adequate supply by offering compensation comparable with international standards. While stressing the use of local experts, his country also proposed ensuring the quality and competence of expatriate experts, about which there were increasing concerns.

15. In order to expedite the process of national execution, Bangladesh proposed that the resident representatives should have the authority to decide on executing arrangements for nationally executed projects. UNDP should examine the possibility of simplifying its reporting requirements and financial rules, and Bangladesh welcomed the use of private audit firms in that regard.

16. Mr. MUNGUAMBE (Mozambique) said that the modality of national execution, which involved building and assisting the management capacities of recipient Governments so that they could implement their own programmes and projects, was of paramount importance in ensuring the effectiveness of technical cooperation at the field level. The role of United Nations agencies in support of that process could not be over-emphasized.

17. Since local capacities and circumstances varied from country to country, technical cooperation arrangements should be flexible and should use inputs from national institutions in combination with external support. Cooperation should be an evolutionary process through which the United Nations development system helped recipient countries assume full responsibility and direct management of all phases of programme and project implementation.

18. He supported the Administrator's proposal concerning central government programme support units to provide administrative and procurement services to individual projects. Other forms of management assistance to Governments should also be emphasized. The UNDP workshops on such topics as financial reporting and training in national execution had proved useful and should be

(Mr. Munguambe, Mozambique)

continued. Lastly, he reiterated his delegation's proposal that the Administrator should include a chapter in his annual report for the following year on ways and means of accelerating national execution, drawing upon the past experience of UNDP in various countries.

19. Mr. REYES (Philippines) said that national execution as the ultimate modality for UNDP-assisted projects was not at issue. Governments must take overall responsibility for managing the preparation, appraisal and implementation of all foreign-assisted projects, irrespective of whether assistance was technical or capital in nature, and UNDP-assisted projects were no exception. What was at issue was why, in the case of UNDP-assisted projects, it had taken so long for that modality of execution or management to be the rule.

20. The predominant role of the specialized agencies must shift from administrative and operational support to technical services support, at both the programme and the project level. Technical services support facility (TSS-1 and 2) financial resources should be tapped for that purpose. Authority should be delegated by the Administrator to the field in dealing with proposals from Governments. At the project implementation stage, there was no reason why agencies should not continue to be contracted to implement certain components of a project and to provide the necessary administrative and operational support.

21. For the five major agencies, the Indicative Planning Figure (IPF) sub-line for administrative and operational services would be an appropriate source of funding. For all other agencies, the usual 13 per cent support cost reimbursement would still be available. As for technical monitoring and evaluation, agencies could also participate in cases where the Government or agents external to the United Nations, including national institutions, were implementing the project. For the five major agencies, TSS-2 would be one source of funding. For the other agencies, sectoral support programmes would be available.

22. One impediment to national execution was Governments' lack of capacity to execute projects. Accordingly, the Administrator's proposal for helping recipient countries enhance their capacities for national execution could pave the way for national execution to become the ultimate modality for UNDP-assisted projects. The Philippines strongly endorsed that proposal.

23. Mr. CABEIRO (Cuba) said that Cuba set great store by national execution. For the fifth cycle, it was planning to use that modality for at least half the projects under the country programme. The increase in national execution would not, however, rule out the role of specialized agencies.

24. Document DP/1991/23 was interesting, but his delegation thought it was premature to change the method of work from a project-centred to a programme-centred approach. Governments needed some latitude in deciding which modality would benefit them most.

25. Mr. ZHANG Kuanghui (China) said that in the 16 years since the inception of national execution, great strides had been made thanks to the efforts of recipient Governments and UNDP. All parties had deepened their understanding of national execution, which had been further promoted by the adoption of General Assembly resolution 44/211. The question now was how to enact policies which would extend the practice of national execution. China had always taken a positive attitude towards national execution; it had adopted effective measures to promote it and had experimented sincerely with it. A large part of UNDP's projects in China were now nationally executed.

26. With respect to the tripartite partnership, China believed that the ultimate goal of multilateral cooperation was to promote social development. The word "partnership" was important: Governments, specialized agencies and UNDP were in fact in a partnership, not a contractual relationship, and should be seeking long-term mutual support. In presenting its third country programme to the Governing Council, China had pointed out that the tripartite partnership remained the cornerstone of cooperation; while strengthening national execution, China would continue its efforts to make that partnership effective.

27. In the United Nations development sector it was important to provide clear support for national execution, but even more so to help Governments build national capacity. China welcomed document DP/1991/23 but considered that the application of national execution should be in line with the specific conditions of the cooperation concerned, as should the speed of development and method of implementation. His delegation recalled that programme implementation and project implementation were not the same thing, the former being more complicated. From the standpoint of recipient countries, it was more important to do well at the project level - hence the importance of national execution. The document on national execution contained many positive suggestions, and China hoped that UNDP and the agencies would move ahead quickly to draw up a work plan based on those proposals, so as to help recipient countries enhance their capacity for national execution and, especially, for implementation.

28. Mr. SAHLMANN (Germany) said that national execution should be the ultimate modality for all development cooperation, that is, that recipient Governments or non-governmental organizations (NGOs) should manage the execution of projects and programmes. He agreed with the representative of Uganda that the UNDP secretariat should provide clear guidelines for national execution and indicate who would be responsible for the monitoring and evaluation of projects and programmes.

29. His delegation regretted that national execution had stagnated or even regressed during the fourth cycle and hoped that in the coming years it would serve to strengthen national capacities while giving the agencies of the United Nations system a chance to show their sectoral excellence.

30. Mr. SAHA (India) said that his delegation was disappointed with the substance of the proposals contained in the report on national execution (DP/1991/23). The Council's commitment to national execution was unambiguous and, in its decision 90/21, it had recognized recipient Governments' responsibility to determine the modality and manner of execution.

31. The report set forth the principles underlying the Administrator's proposals on national execution, but treated them unequally. His delegation felt that any attempt to link progress on national execution with implementation of the so-called programme approach, on which members of the Council clearly did not agree, could effectively stifle the modality of national execution. The manner and pace of development of the programme approach must be left to recipient countries. Similarly, the degree of agency involvement must be decided by the Government concerned, in consultation with the resident representative. He reminded the Council that national execution had never been intended to assure the agencies of a substantial role in all UNDP-funded activities. The report, however, seemed more concerned with agency involvement than with promoting the capacities of recipient countries.

32. India had hoped that the report would address simplification of programme and project procedures, ways of adapting those procedures to the procedures of recipient Governments in accordance with General Assembly resolution 44/211, strengthening of field offices, speeding the shift of United Nations agencies away from project operations and administrative support towards the provision of analytical and technical advice, and other measures to assist recipient countries' efforts to strengthen national capacity. Decentralization should also have been addressed, including the question of substantially increasing the project approval authority of resident representatives, the redefinition of the role of country offices, and the composition and range of skills available in the field. The intention of paragraph 4 of decision 90/21 had been to help create an enabling environment for national execution. His delegation feared that the proposals, if accepted, might instead set back the growth of that modality.

33. The use of add-on funds by countries executing projects nationally was surprisingly low. It would appear that, had recipient countries been made more aware of their add-on entitlements, there might have been a greater number of nationally executed projects.

34. To sum up, his delegation felt that the Administator's report would have the effect, perhaps unwittingly, of continuing agency involvement in nationally executed projects, not only for technical backstopping but also for administrative and operational support, in which it was generally agreed they did not have a comparative advantage. India believed, therefore, that it would be a step backwards for the Council to adopt decisions based on the report's proposals.

35. Mr. MAKOETJE (Observer for Lesotho) said that his Government was committed to promoting the use of national execution. His country's experience had shown that progress was impeded when programmes intended to build national capacities and promote self-reliance were not centred on national execution. To demonstrate its belief in that modality, his Government planned to hold a series of seminars and workshops, in cooperation with the resident representative, to familiarize nationals with the concept of national execution.

36. The specialized agencies of the United Nations system continued to play an important role in the execution of UNDP-supported programmes. Despite the concerns expressed by the executive heads of some of the agencies, his delegation did not believe that the agencies had been marginalized. In the current international climate of political and economic change, it was more important than ever for the Government and the private sector of recipient countries, the United Nations specialized agencies and UNDP to engage in a dialogue on strategies for enhancing the effectiveness of all parties involved in national execution.

37. In view of the importance of national accountability, Lesotho's Ministry of Planning, which coordinated, monitored and evaluated all external assistance, had recently undergone a major restructuring to improve its efficiency, for which UNDP had provided welcome assistance. The Office of the Auditor-General was responsible for financial accountability, although its limited capacity required it to make increasing use of private sector subcontracts for audits of Government departments.

38. Although recipient countries and their Governments remained fully responsible for promoting the use of national execution, their efforts would have little impact unless they were matched by similar efforts by all the parties involved. He hoped that the specialized agencies would take a more positive view of the changes in technical cooperation, that they would participate fully in implementing the national execution modality and that any differences would be addressed jointly by all participants in development.

39. Mr. VERONELLI (Venezuela) said that, in its cooperation with UNDP, his Government had increasingly executed projects directly, thereby facilitating State action to support economic recovery and manage services and social programmes. That process had helped Venezuela to use its national capacity to the full, while the UNDP country office had played an important role in strengthening Venezuela's national institutions. His delegation saw a need to assess administrative procedures fully, however, and to create an agreed set of rules for national execution, especially with respect to evaluation, monitoring and reporting.

40. Mr. Kramer (Canada), Vice-President, took the Chair.

41. Mr. ROHNER (Switzerland) said that his delegation supported the general approach taken to national execution, but would not like the process to be hurried. UNDP's main objective must continue to be to make the most effective and sustainable contribution to the development of recipient countries through country programmes.

42. There still seemed to be some difficulty in making the distinction between national execution and national implementation; he hoped there would be a common understanding of the concept of national execution by the end of the session. Even if all projects came to be nationally executed, his delegation hoped that there would be no change in the responsibility of resident representatives to make sure that UNDP resources were used in the most effective manner. His delegation also wished to know whether national execution would always mean Government execution or whether non-governmental organizations would also be involved. With respect to implementation, his delegation hoped that the mix of modalities chosen would take into account the purpose of a given project or subprogramme.

43. The application of the whole concept of national execution must be country-specific and take into account local capacities. His delegation would like to see real and not artificial national implementation; it was therefore sceptical of UNDP plans to establish local units for the national execution of projects, since the aim was to strengthen self-reliance, not to prolong external dependence by other means.

44. Mr. ALIKHAN (World Intellectual Property Organization), speaking also on behalf of some of the smaller technical agencies attending the meeting, said that the agencies' project planning was carried out in very close coordination with national counterparts in the countries concerned, with the ultimate aim of promoting self-reliance. Recipient countries were thus closely associated in all phases of project planning and execution. Particular emphasis was placed on the progressive building of national capacities with the overall objective of developing national human resources. In fact, many projects were, increasingly, being executed nationally or in close coordination with the national offices concerned. The smaller, highly technical agencies promoted inter-operability and standardization, particularly in such fields as intellectual property, meteorology, hydrology, maritime safety, aviation operations and telecommunications.

45. The President resumed the Chair.

46. Mr. EDGREN (Assistant Administrator, Director of the Bureau for Programme Policy and Evaluation), responding to points raised in the discussion, said that he welcomed the positive contribution made by the United Nations agencies at the previous meeting. UNDP would continue to consult with them as it developed the various concepts and measures relating to national execution. It was gratifying to note the general endorsement of a framework permitting full implementation of a sensible and gradual national execution policy. National execution was a broad concept embodying full Government management at

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all stages, with clear accountability for effective use of resources. In that connection, he pointed out that the specialized agencies would not play any supervisory role with regard to Government accountability. Nevertheless, the technical expertise of the agencies might have to be drawn upon in order to carry out evaluations.

47. The number of nationally executed projects among the projects evaluated had tripled in 1990. The endorsement by the United Kingdom of the definition of national execution proposed by the Administrator in June 1990 had greatly facilitated implementation of the overall framework, and it was gratifying to note the widespread support for the policy recommendations that had been made. He had taken note of the very useful suggestions made by the United States representative concerning capacity-building, particularly in areas related to national development management capacities. All those comments would be taken into account in preparing the necessary guidelines.

48. With regard to the slow rate of progress in promoting national execution, there was no point in trying to find a scapegoat. All the parties involved had too often chosen the easier way out instead of national execution, which was more laborious. A number of delegations had suggested that field office execution was masquerading as national execution. He stressed that execution by field offices or, in some cases, by the Office for Project Services (OPS) was not part of national execution. UNDP's future role must be one of programme development and coordination. The role of the agencies was evolving from mere administration to technical support, programme development and advisory work. Lastly, the guidelines for administrative and operational services would be developed as soon as the policy framework had been approved by the Governing Council.

49. The PRESIDENT said that, if he heard no objection, he would take it that the Council agreed that the Drafting Group should begin to prepare a draft decision of the question of national execution.

50. It was so decided.

PROGRAMME PLANNING (continued)

(b) PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE, INCLUDING FUNDING STRATEGY (DP/1991/24, 59 and 64 and Add.1)

51. Mr. TAL (Director, UNDP Planning and Coordination Office) said that the report of the Administrator on preparations for the fifth programming cycle (DP/1991/24) dealt with distinct areas of Governing Council decision 90/34. Section I related to paragraph 39 of that decision, which requested a report on the outcome of the Administrator's consultations with the United Nations agencies and his analysis of cost implications of introducing Special Drawing Rights (SDR) as the central unit of account. The Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ(FB)) had

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reviewed the potential advantages and possible drawbacks and costs of introducing SDR as the unit of account. It had concluded that the introduction of SDR would increase the complexity of existing financial and administrative procedures, with only marginal benefits in terms of financial predictability and stability. The preliminary estimate by UNDP of its own costs should such a change be introduced ranged from $4.2 million to $6.3 million, and it could be assumed that the change-over would entail equally significant costs for the other agencies of the United Nations system. The Committee's conclusion, supported by UNDP, was that the costs far outweighed any potential benefits and, therefore, that the idea should not be pursued at the present time.

52. Section II of the report dealt with paragraph 34 of Council decision 90/34, concerning net contributor arrangements in the fifth cycle. According to the methodology applied in the fourth cycle, net contributor countries were countries with a per capita GNP above $3,000 and island developing countries with a per capita GNP above $4,200. The issue of providing IPFs for those countries during the fifth cycle had been left open, pending a review at the thirty-eighth session. In the meantime, resources had been reserved for those countries on the basis of the standard IPF methodology, but without the benefit of any floor supplement. The report outlined a set of options and criteria for the consideration of that difficult issue and the proposals in paragraphs 5 and 6 provided a reasonable compromise between maintaining the status quo and eliminating those IPFs.

53. Certain principles were central to a discussion of net contributor arrangements. The graduation of countries from the ranks of net recipients was an established policy, but that principle had given rise to difficulties, as the net contributor provisions in the fourth cycle had demonstrated. Problems arising from the implementation of those provisions had been brought to the attention of the Council on several occasions during the fourth cycle, as they had proved to be both complex and contentious.

54. Section III of the report raised some basic questions about the sixth programming cycle and the allocation of resources. Paragraph 35 of Council decision 90/34 requested the Administrator to make proposals for revising the weight coefficients for population and per capita GNP. The conclusion had been reached that adjusting the IPF system had become highly problematic, owing mainly to the growing complexity of the distribution criteria and the inherent constraints of the system. The report demonstrated that, while it was possible to effect changes in the IPF system, those changes required coercive manipulation of the methodology. It also argued that the system was rather ineffectual in responding to new and changing priorities. Furthermore, many of those new developments and priorities were altering the landscape of technical cooperation, which was already having a profound effect on the allocation of resources. For instance, the impact of expanding the group of least developed countries (LDCs) must be reviewed in the context of current and future resource distribution principles, in the context of present-day

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LDCs, and in the context of low-income non-LDCs. Those and other issues addressed in the report illustrated the limitations inherent in the IPF system and argued for a more thorough review of the methodology and allocation principles.

55. Simply put, the IPF system had become complicated and did not respond well to an increasingly dynamic technical cooperation environment. The report therefore proposed a comprehensive review by the Council and raised several issues for initiating a dialogue. Since consultations were more likely to be productive without the pressure of impending deadlines, UNDP was proposing the preparation of a conceptual paper on resource utilization in the sixth cycle for the thirty-ninth session of the Council.

56. The report of the Administrator on the funding strategy for the United Nations Development Programme (DP/1991/59) responded to the request addressed to the Administrator in Council decision 90/14 to report separately to the Council on the implementation of that decision. The report covered the various components of the UNDP funding strategy. It was expected that improving the Programme's performance with regard to all those components would heighten its impact and visibility and encourage countries to increase their voluntary contributions, making it possible to achieve the level of resources foreseen in Council decision 90/34 and paving the way for a steady increase into the sixth cycle.

57. Mrs. DUDIK GAYOSO (United States of America) asked which countries had achieved net contributor status in the fourth cycle and which countries had still to fulfil their pledges.

58. Mr. EDGREN (Assistant Administrator, Director of the Bureau for Programme Policy and Evaluation) said that document DP/1991/64, entitled "Special Programme Resources: Overview and programming documents", explained the overall strategic purpose for which the Special Programme Resources (SPR) would be used, how they would play a catalytic role in mobilizing other resources for national capacity-building and what administrative measures had been developed to maximize the impact of SPR at the field level, in accordance with Governing Council decision 91/3. In view of the need for SPR support for the development of fifth cycle country programmes, the Governing Council had been provided with the information it needed to reach a decision on the commitment of resources to 23 of the 26 subprogrammes listed in decision 91/3. That information, contained in document DP/1991/CRP.1, was summarized in document DP/1991/64/Add.1. Programme documents for the remaining three subcategories (Social Dimensions of Adjustment, Transfer and Adaptation of Technology for Development and Technical Cooperation among Developing Countries) would be presented to the Governing Council's February 1992 session.

59. In response to requests from a number of Governments for support for activities to incorporate UNDP advocacy themes into the new country programmes, the Administrator was proposing that advance resources should be

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made available immediately, particularly for country programming initiatives and for new areas of activity for which no fourth cycle SPR had been allocated.

60. Mr. TAL (Director, UNDP Planning and Coordination Office), replying to the questions raised by the United States representative, said that in the fourth cycle Saudi Arabia had met the conditions for becoming a net contributor. A number of other countries had not yet entirely fulfilled the requirements in that regard. Those requirements related to the reimbursement of not only IPFs but also agency support costs and local office costs. Two countries which had originally been on the list of net contributors had been exempted by the Council as a result of changed conditions in those countries. A table would be made available showing the status of contributions, payments and IPF expenditures for each country.

61. Mr. AL-BATTASHI (Observer for Oman) said that UNDP, as one of the most important agencies providing assistance to developing countries, must be flexible in its policies and ensure that all developing countries benefited from its technical assistance. His country had, thanks to its own efforts and to cooperation from friendly countries and UNDP, made great strides in developing its infrastructure. Nevertheless, it still faced a number of daunting challenges and obstacles if it was to diversify its sources of national income. In particular, the country's difficult geography, shortage of trained manpower and reliance on expatriate workers, lack of raw materials and reliance on oil, the price of which had fallen sharply in recent years, had adversely affected development efforts.

62. His Government had only grudgingly accepted Governing Council decision 85/16, which it continued to see as contrary to the spirit of General Assembly resolution 2688 (XXV). It believed that to link the amount of a State's contribution to the amount it received from UNDP was incompatible with the Programme's objectives, reducing the development process to a purely commercial exercise. His delegation was pleased that document DP/1991/24 advocated the consideration of criteria other than per capita gross national product alone for the determination of net contributor status and hoped that the report would make a positive contribution to a final solution of that issue. However, the decision suggested in the report would not in fact change the situation, since UNDP proposed to issue IPFs to the countries concerned only to the extent that they had fulfilled their net contributor obligations in the fourth cycle. If that decision were to be adopted, his country's financial obligations to UNDP would be three times greater than what it received from the Programme. It would therefore be obliged to consider the extent to which UNDP technical assistance during the fifth cycle was of benefit and to take the corresponding measures.

63. Mr. MUTHANA (Observer for Yemen) said that his country, a product of the unification of two former Member States, was an LDC facing economic difficulties which could not be solved by the Government on its own. UNDP played a vital role in alleviating its burdens. Although there had been an

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increase in the resources allocated to his country during the fourth cycle, the challenges it currently faced were infinitely greater. It was therefore surprising that the principle whereby the resources allocated to the country after unification should be no less than those committed to its two constituent parts during the fourth cycle had not been put into practice. It had been his Government's understanding that UNDP would in fact incorporate an additional percentage to cover the extra burdens assumed in merging the two administrative structures, as well as those arising as a result of the Gulf crisis.

64. His country had also hoped to see at least some reference, in the documentation before the Council, to Council decision 90/3, which confirmed the request in Council decision 89/37 for additional assistance to his country. He trusted that members of the Governing Council would show appropriate understanding of his country's unique situation.

65. Mr. AL-FAIHANI (Observer for Bahrain) said that his delegation had already spoken on the subject of net contributor status and the costs of field offices and looked forward to a realistic and far-sighted solution of those issues. It wished to emphasize the importance of the bilateral agreements between host countries and UNDP, the principle of the universality of UNDP assistance and the need to separate the concept of net contributor status from the costs of field offices. It also hoped that the Council would take due account of the short- and long-term economic, social and political consequences of the Gulf crisis. A successful conclusion of the current discussions would help to strengthen UNDP's role by maintaining offices which served as a link not only with the Programme but with all the agencies of the United Nations system.

66. Mr. NANDOE (Observer for Suriname) noted that the issue of using multiple criteria to determine net contributor status was addressed in document DP/1991/24 on preparations for the fifth programming cycle. The case of Suriname had been used as an example of how a small increase in per capita GNP could completely stop the net flow of UNDP resources to a country. However, he disagreed with the figures cited for his country, namely a 9 per cent increase in per capita GNP from $2,770 in 1983 to $3,020 in 1989. In 1990 and early 1991, the situation in Suriname had changed significantly.

67. Given Suriname's current economic difficulties, his delegation was seriously concerned about the proposal to place Suriname in the net contributor category. That proposal was based on Suriname's per capita income, which in no way reflected its real economic situation.

68. Declining revenues from Suriname's most important export commodities and the suspension of development agreements by major donors had caused a decline in the country's foreign reserves, so that it could not import all of its basic needs. Furthermore, Suriname was in the process of setting up a new Government, which had been freely and fairly chosen in May 1991 through

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internationally monitored elections. The new Government had yet to present its programme on economic adjustment measures. He therefore urged the Governing Council to defer its decision on Suriname's net contributor status until the new Government had had the opportunity to discuss the calculation of GNP with institutions concerned.

69. Mr. MOULTRIE (Observer for the Bahamas) said that the Governing Council's decisions on the fifth programming cycle, agency support costs and national execution would help ensure that United Nations technical cooperation achieved the objectives of General Assembly resolution 44/211.

70. Although the Bahamas had successfully developed certain sectors of its economy, the Governing Council's decision to categorize the Bahamas as ineligible for non-reimbursable technical assistance could seriously undermine those advances. His country had long maintained that per capita GNP was an inadequate measure of a country's development. He therefore welcomed the new practice of considering other criteria in determining eligibility, and believed that more emphasis should be placed on those criteria.

71. The concentration of wealthy expatriates residing in the Bahamas was the primary reason for the country's high per capita GNP. If the incomes of that segment of the population were excluded, per capita GNP in the Bahamas would be comparable to that of many developing countries. The Bahamian economy's heavy reliance on tourism, banking and financial services necessitated the employment of a high percentage of foreign labour, whose income levels were disproportionate to the general level of income in the country.

72. The limited resources of the Bahamas, coupled with the cost and difficulty of providing services to its widely scattered islands, caused considerable administrative and development problems. Since the infrastructure development necessary to attract foreign and local investment must be replicated many times over on the various islands, the country was forced to deplete its foreign exchange base through external borrowing to fund such development. Moreover, the nature of the tourist industry was such that the outflow of capital expended for the goods and services it required exceeded the inflow of foreign capital from tourists. Despite the implementation of several major agro-industrial projects, the Bahamas still imported almost all of its food and consumer goods, with no possibility of complete import substitution in the foreseeable future. The Bahamian economy was therefore very vulnerable to the vagaries of the external economic environment.

73. Those facts demonstrated that the per capita GNP of the Bahamas did not paint a true picture of its level of development. He urged the Governing Council to take those considerations duly into account and to recognize that many underdeveloped islands in the Bahamas were greatly in need of development assistance. Economic diversification was a priority in that respect, and would require technical assistance. Migration to the country's capital

(Mr. Moultrie, Observer, the Bahamas)

because of unevenly distributed economic growth and development in the various islands also created problems, both by straining the absorptive capacity of the capital's economy and by depriving the more remote islands of essential human resources. In that regard, he supported the proposal of the United Nations Population Fund (UNFPA) to support a comprehensive $6 million population programme to work towards the population and development objectives of the English-speaking countries and territories of the Caribbean.

74. The solution of the country's problems must emphasize human development. The expansion of human capacities and skills must keep pace with capital investment. The key elements of the human-centred approach included strengthening human capabilities through better nutrition, primary health care and education and training; creating institutional infrastructures for the development and utilization of human skills, initiative and enterprise; and ensuring the full participation of the people in the development process. UNDP technical cooperation played a critical role in such endeavours.

75. In view of those considerations, the Bahamas was in no position to graduate to donor country status. It should not be punished for having achieved some measure of success, especially since much remained to be done. His Government was not requesting restoration of the country's original status, only a reasonable increase in its proposed annual allocation for the fifth cycle. That cycle should be a transitional stage in which progressive cut-backs would allow the Bahamas to absorb the economic shocks attendant upon graduation, thereby ensuring that it was not compelled to return to reimbursable status by an erosion of the progress it had made to date.

The meeting rose at 6.05 p.m.

UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1991/SR.31
15 July 1991
ENGLISH
ORIGINAL: SPANISH

GOVERNING COUNCIL

Thirty-eighth session

SUMMARY RECORD OF THE 31st MEETING

Held at Headquarters, New York,
on Friday, 14 June 1991 at 6.15 p.m.

President: Mr. PIRIZ-BALLON (Uruguay)

CONTENTS

Preparations for the fifth programming cycle, including funding strategy (continued)

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The meeting was called to order at 6.15 p.m.

PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE, INCLUDING THE FUNDING STRATEGY (continued) (DP/1991/24, DP/1991/59, DP/1991/64 and Add.1)

1. Mr. MAYCOCK (Observer for Barbados) said that the issue of net contributor countries and the allocation principles used in the calculation of indicative planning figures (IPFs) were of special interest to his delegation. The relevance of the per capita gross national product (GNP) criterion as the basis for determining graduation or net contributor status must be gauged. Barbados had repeatedly drawn the Council's attention to the deficiencies of that criterion, whose application was denying Barbados access to UNDP resources on concessional terms at a time when it needed them most.

2. The economy of Barbados had been severely affected by the international economic situation. In 1990, that had been reflected in a decline in real economic growth and foreign-exchange earnings, and an increase in the earnings from exports and services which had to be used to service the external debt. Under those conditions, Barbados believed that the proposal to change its relationship with UNDP was detrimental to its development prospects.

3. The achievements of Barbados, reflected in the 1990 and 1991 Human Development Reports, were the product of years of devotion to people-centred development, a well-established tradition of parliamentary government and respect for human rights, all of which were possible largely because of substantial support from UNDP. On the one hand, his country was honoured to qualify as a net contributor country; on the other hand, however, a pragmatic analysis would show that Barbados was in no position to maintain that status for very long.

4. In document DP/1991/24, the UNDP Administration explicitly acknowledged, for the first time, that the graduation of countries from recipient to donor status solely on the basis of per capita GNP could result in anomalies. Barbados fully supported the recommendation to undertake a review of the objectives and principles underlying the allocation of UNDP resources, and requested that the review should, if feasible, be completed before the end of the fifth programming cycle.

5. While the principle of universality did not prescribe equal participation for all countries, exclusive application of the per capita GNP criterion did not adequately reflect the real economic differences between countries. Factors such as the economic vulnerability of States must be taken into account. Barbados found itself in a situation of double jeopardy. For some purposes, such as access to UNDP resources on concessional terms and the obligation to contribute to the programme, it was virtually considered a developed country. On the other hand, when it came to considering UNDP activities as the source of material and advisory inputs, the participation of Barbados was more limited. His delegation was heartened by the desire of UNDP

(Mr. Maycock, Observer, Barbados)

to examine its role in promoting technical cooperation among developing countries with higher-income countries and would welcome, in particular, an indication by UNDP of its willingness to enter into dialogue on ways of enhancing procurement from countries in that category. Barbados was well placed in that regard thanks to the experience of the Caribbean subregion in the area of technical cooperation under the aegis of the Caribbean Community (CARICOM) and to the instalment of a UNDP office in Barbados. Increased participation by higher-income countries in UNDP-supported technical cooperation activities in the Caribbean region should be a priority of the Programme.

6. Mr. KING (Observer for Trinidad and Tobago) said that his country was confronted with development problems peculiar to island developing countries and referred to General Assembly resolution 45/202, which called for specific measures in favour of that group of countries.

7. Effective implementation of development programmes was dependent on an assured and predictable resource base. Although the indicative planning figure for Trinidad and Tobago was relatively low, it was considered important as a system of multilateral aid because of its catalytic role and its neutral character. The UNDP country programme was an integral part of the planning process and the process of economic diversification and development of Trindad and Tobago and it should continue to fulfil that role. In addition to financial resources, technical assistance figured as a basic element at various stages of the development process in the form of advice from short-term or resident experts. Access to such technical cooperation through UNDP should not be denied. At the same time, the voluntary and universal character of UNDP should be fully restored in the fifth programming cycle within the context of contemporary realities. His delegation encouraged members to show their full support through voluntary contributions.

8. The observations made by the Administrator in document DP/1991/24 further illustrated the need for a careful review of the graduation of countries, because the current system of allocating resources already included an element of restricted access to UNDP resources based on a scale of per capita GNP. The GNP per capita criterion was incomplete for measuring development, because it did not reflect the distribution of economic costs and benefits, did not take into consideration the particular situation of small developing countries and, in estimating, included external income which was never repatriated except in the case of fiscal transfers. Accordingly, the per capita GNP criterion must be reinforced by other factors which provided a true picture of a country's stage of development. His delegation supported the conclusion of the Administrator in paragraph 27 of document DP/1991/24.

9. Ms. HELLSTRÖM (Sweden), speaking on behalf of the four Nordic countries, stressed that resources, which were scarce, should be allocated primarily to the poorest developing countries. The activities of UNDP must be more specifically focused in order to achieve better results. For those two reasons, the Nordic countries welcomed decision 90/34.

10. With regard to the question of special drawing rights, which the Administrator analysed in his report (DP/1991/24), she noted that the United Nations system did not appear inclined to change the unit of account. That suggested that the system's propensity to change was not very great and that the difficulties encountered by UNDP and the agencies as a result of exchange-rate fluctuations must have been less serious than they had been given to understand.

11. Referring to the issue of net contributor countries, she recalled that the principle of universality - so important for the United Nations, and for UNDP too - meant participation in the Programme, not entitlement to an indicative planning figure (IPF). Although donors did not receive UNDP assistance, they considered themselves full-fledged members of the Programme. The medium-income developing countries in need of technical assistance should pay for it, because resources, being scarce, should be used primarily for the poorest countries. That and graduation were very important principles for the Nordic countries. It was reasonable to expect recipient countries to contribute to the Programme. It must be recognized, however, that there were net contributor countries and other medium-income countries which contributed generously to UNDP. In the view of the Nordic countries, the provisions pertaining to net contributor countries for the fifth programming cycle should be as firm as, or firmer than, those for the fourth cycle, and also less complicated.

12. The options put forward by the Administrator in that regard took into account the need for a simple and generally acceptable system. While the method suggested by the Administrator was sound, his proposal would lead to a distortion in the allocation of resources agreed upon in decision 90/34, which would be unacceptable to the Nordic countries. In the discussions on fifth-cycle programming, the Nordic countries had advocated abolition of the floor principle. Consequently, they believed that a 60-per-cent floor was too generous.

13. The Nordic countries also recalled that it was normal practice not to mention countries explicitly by name in UNDP decisions on the net contributor issue for good reasons. The Council should lay down general principles, where applicable, without mentioning names.

14. The Nordic countries also proposed unlinking the net contributor issue as much as possible from local-cost obligations. Those obligations should continue to be guided by the Standard Basic Agreement which applied to all UNDP recipients.

(Ms. Hellström, Sweden)

15. Another question which arose in the matter of contributors was the role of UNDP with respect to countries whose IPF was relatively low. Whether a country IPF should be the only channel of UNDP assistance of any interest to recipient countries was a question worth asking. The Nordic countries believed that other possibilities must be explored, such as special drawing rights and the global and regional programmes, inter alia. Moreover, in cases where the IPF was low, the need for an IPF for planning purposes was limited. The Nordic countries strongly supported the Administrator's suggestion that he should "prepare a comprehensive conceptual paper on sixth programming-cycle resource utilization, to be submitted at the thirty-ninth session" (DP/1991/24, para. 33).

16. Decision 90/14 and document DP/1991/59 contained many relevant observations on funding strategy, but funding was not their main theme. In that regard, she drew attention to the Nordic countries' project for the United Nations, a joint study conducted by the Nordic countries on economic and social reform issues which had been presented on Wednesday in another meeting. The essence of the proposal was that, in order to achieve a stronger and more predictable financing system for the United Nations development organizations, a combination of funding mechanisms should be explored. That combination would derive from three sources: assessed contributions, negotiated pledges and voluntary contributions. The reasoning underlying the proposal was, first, the character of partnership which distinguished the United Nations from many other organizations, i.e., a partnership between Member States for the benefit of all parties concerned. The operational activities of the United Nations could thus be viewed as a joint enterprise where the administrative costs were shared by everyone participating, in the form of a membership fee determined on the basis of each participating Member State's ability to pay. Second, the system of annually pledged voluntary contributions in national currencies was a weak source of support for long-term development projects, or for responding to emergencies. Therefore, the possibility of establishing a new system of negotiated pledges, similar to the replenishment process of the international financial institutions, should be explored. In that way, the operational activities of the United Nations would have a broader and more predictable financial base; planning and budgeting would be more efficient, and burden-sharing more equitable. The third source would be voluntary contributions from Member States, in particular, from Member States on the Development Assistance Committee (DAC).

17. Mr. INSULZA (Observer for Chile) endorsed the Administrator's view that it was difficult to distribute indicative planning figures under the existing methodology. Therefore, a methodological discussion on the most suitable mechanisms for establishing IPFs in future programming cycles must be initiated without delay. That, however, must be done by consensus, so that the interests of all member States and regions and their technical assistance needs would be respected. The topics and questions raised by the Administrator in paragraph 32 of his report (DP/1991/24) would be relevant in

(Mr. Insulza, Observer, Chile)

that dialogue and should be studied at future Council sessions. His delegation was concerned that paragraph 32 (d) could be construed as meaning that, among countries whose resource allocations were similar, those which used their resources more effectively in order to upgrade the standard of living of their population might be at a disadvantage when their indicative planning figures were established. In that connection, Chile attached particular importance to the statement made by the Administrator on 12 June in response to the general debate: he had dispelled a number of apprehensions expressed by Council members concerning the human development index and its potential uses. Of special importance for his delegation was the following paragraph in that statement: "Some delegations also expressed the fear that a high ranking on the human development index may go against them in aid allocations. This is a gross misunderstanding. What matters for policy dialogue is the rate of change in human development, the rate of human progress, not just the level of human development at a particular point in time."

18. Referring to another aspect of the fifth programming cycle, he said that, in reporting on the complexities and limitations of the current system of establishing IPFs, the Administrator had indicated that, in order to accomplish the objective of allocating 55 per cent of IPFs to the least developed countries, it was necessary to supplement them by $138 million from regional programmes. That had resulted in a 26-per-cent reduction in IPFs for those regional programmes (DP/1991/24, para. 21). The cuts, however, had not been uniform, because the IPF of the regional programme for Latin America and the Caribbean had been reduced from $58 to $30 million, i.e., virtually by 50 per cent. A reduction of that order was unprecedented in the history of UNDP, was detrimental to UNDP's first regional programme, and was occurring at a time when the region was confronted with a series of urgent problems to which UNDP had accorded priority - issues relating to the environment, overcoming dire poverty, and regional and subregional integration. Moreover, the reduction coincided with the establishment of new IPFs for each of the Latin American and Caribbean countries; in the majority of cases (17 countries), they were lower than the fourth cycle IPFs. For those reasons, his delegation formally requested a revision in the fifth cycle IPF for the Latin American and Caribbean regional programme. At the very least, it should be restored to a figure which reflected a reduction comparable with but not twice as much as in other regional programmes.

19. Mr. SAHA (India) recalled that at its thirty-seventh session the Governing Council had invited the Administrator to present proposals for revising the weight coefficients for per capita gross national product (GNP) and population, in order to assign increased weight for least developed countries and lower-income countries in the per capita GNP weighting, and reduced weight for larger populations. In the first case, a decision to change the weight coefficient was at the political discretion of the Council. However, with respect to weighting on the basis of population, he wondered whether it was fair to alter a criterion solely in order to reduce selectively the weight coefficients for two countries. In the case of India, any attempt

(Mr. Saha, India)

to alter the population criteria would have the effect of excluding a proportion of its disadvantaged population from the benefits of assistance from the United Nations system.

20. The initiative under discussion was based largely on ignorance of the current weighting system. There was a prevalent impression that a country with twice the population of another country received roughly twice the amount of IPF resources. The truth was that a country with a population of 1 billion received only 37 per cent more than a country with half that population, and only 95 per cent more than a country with one tenth of that population. Few delegations were aware that the weighting system which had been accepted 15 years earlier was based on a graph which did not compare the population to the weight assigned, but rather the logarithm of the population to that weight. The logical basis for that system had never been explained. In general, a country needed technical services in proportion to its absolute population, not to its logarithm. The weight coefficient for population, in its current form, was already unfair and irrational for countries with large populations, and the absurdity of the situation should not be compounded. Therefore, considering the background against which the Administrator had been asked to present proposals for revising the weight coefficients, his delegation was sceptical about the direction in which the conceptual paper, referred to in the conclusion of part III of document DP/1991/24, could lead the debate. Such a paper would be meaningful only if the Council could agree on its outline and on the broad direction in which it should be developed. Otherwise, it could easily arouse controversy, and his delegation therefore could not support providing UNDP with such an unclear mandate.

21. Mr. SIEBER (Switzerland) said that the issue of the status of net contributor countries had been the subject of various reports and lengthy discussions by the Council and that the subject should be brought to a conclusion at the current session. His delegation welcomed the proposals submitted by the Administrator, such as those on the gradual approach to net contributor status and on the continuation of a clearly defined net contributor obligation to be taken into consideration when calculating IPFs for the next programming period. However, he could not support the proposal to add another threshold of 40-per-cent floor protection for the remaining countries.

22. With regard to field offices in net contributor countries, he supported the Administrator's proposals, except the proposal to finance two General Service posts in addition to the resident representative and the deputy resident representative. The negotiations on the host Government's contribution to local office costs and on establishing $10 million as the amount for a given country programme should be finalized by the beginning of the fifth programming cycle. If it became clear at that stage that no conclusions could be reached, UNDP should close those offices and revert to rendering reimbursable services. In his view, further transitory arrangements would not be justified.

(Mr. Sieber, Switzerland)

23. With respect to the UNDP funding strategy, his delegation awaited with keen interest the outcome of the global resident representatives' meeting, particularly the UNDP statement on its purpose and organizational strategy for the future, which would serve as a basis for the new public information strategy. One of the most important topics to be addressed at that meeting was the building and enhancement of the comparative advantages of UNDP. The Administrator had noted the technical impartiality, respect for national sovereignty and universality of UNDP as its main comparative advantages, and his delegation would add to that list the technical know-how and experience available within the United Nations system. The study prepared by Denmark contained other interesting proposals on the subject. Finally, he felt that although the Administrator's proposals were interesting, it was premature to consider them at a time when a final decision on the fifth programming cycle had not yet been taken. He therefore proposed that the issue should be brought once again to the Council's attention at its fortieth regular session.

24. Mr. TWITE (United Kingdom) said that his delegation accepted the Administrator's recommendation that the question of adopting special drawing rights as a unit of account should not be pursued for the moment (DP/1991/24, para. 2). However, he hoped that the Administrator would take all possible steps to counter the damaging effects of currency fluctuation within the current financial framework.

25. On the subject of net contributor status, UNDP should try to maximize aid flows to the poorest countries, while at the same time maintaining the principle of universality of availability of technical cooperation resources. It was essential that, as countries achieved the development for which they and their partners were striving, they should recognize that there must be a point at which they ceased to be recipients. It was also important that an acceptable and equitable system of graduation should be established for the fifth cycle to enable UNDP to finalize the allocation of IPFs.

26. His delegation accepted the Administrator's judgement that the new proposals on net contributor status would be simple to administer, and supported their adoption, with the understanding that the proposals would meet the need for a gradual but definite process of graduation. However, he did not think that the option of according 40 per cent of the IPF for a period of two years, as provided in paragraph 7 (c) of the report (DP/1991/24), was necessary.

27. With regard to field office costs, his delegation saw no reason to change the current arrangements and felt that the changes proposed by the Administrator were unnecessary. With respect to the criteria of GNP and population used in calculating the fifth cycle IPFs, it was too late to replace them with other criteria.

28. With regard to the suggested principles for the allocation of resources for the sixth programming cycle, the report indicated the problems in the current IPF allocation system, but did not present specific proposals on the

(Mr. Twite, United Kingdom)

weight coefficients for GNP and population, as requested in paragraph 35 of decision 90/34; rather it suggested that a thorough review of the whole IPF system should be presented to the Governing Council in 1992. Instead of tinkering further with a defective system, it would be better to make a fresh start, since there was ample time to work out a new system for the sixth cycle. However, the Administrator's proposals must be issued well in advance (at least three months beforehand) so that the members could give them proper and full consideration.

29. With respect to document DP/1991/59 on the funding strategy, his delegation felt that that agenda item had become a mixed bag of issues which had developed out of the original funding strategy debate and was no longer appropriate to that heading. Although the issues it involved were important, the agenda item was redundant. He therefore hoped that any decision reached by the Council would not require further reporting by the Administrator, so that the item might lapse after the current session.

30. Mr. BORJA de MOZOTA (France) said that his delegation supported the statement made by the group of Nordic countries, mainly because it took the view that no provision allowing exceptions to the net contributor status, however understanding it might be about the countries concerned, should risk diverting resources from the developing countries.

31. Mr. WARD (Canada) said that the three elements discussed in document DP/1991/24 evoked the common theme of the need for increased transparency, simplicity and fairness in the allocation and accounting of resources. His delegation shared the view of the Administrator that the question of special drawing rights (DP/1991/24, para. 2) should not be further pursued for the time being. The proposals on net contributor status put forward by the Administrator tended to increase the complexity and decrease the transparency of the question and his delegation did not share the view that the criteria accepted in decision 90/34, without the "floor" principle, should no longer be used. Section III of document DP/1991/24 amply demonstrated the distorting impact of the "floor" principle. Retaining it for net contributor countries would thus not only unnecessarily distort allocations but would also take $5.26 million from programmes in poorer countries. According to figures provided in table 1, only one country, Suriname, was on the threshold of net contributor status. If that presented a problem, adjustments could perhaps be made for such a case. Otherwise, his delegation saw no reason to tamper with application of the net contributor criteria. Similarly, there was no rationale for diluting decisions on field offices. Adding costs of two General Service posts in net contributor countries or adding resident representatives or local staff in offices that would normally be closed was not consistent with the efforts of UNDP to reduce its administrative costs.

32. With regard to the larger question of the methodology for the allocation of resources, Canada fully supported the Administrator's proposal for a thorough review of the objectives and principles underlying the allocation of resources. The paper clearly demonstrated how the system had become complex

(Mr. Ward, Canada)

and distorted. The basic principles established in 1982 therefore needed to be brought into step with current development thinking. Note should also be taken of the increasing marginalization of some regions and its effect on administrative efficiency. There was perhaps need to find a way of addressing the problems of those regions in a more holistic and less country-oriented way. Canada would like to see a system of allocating technical assistance resources based on the need for that type of assistance. UNDP could perhaps examine options for achieving that goal while maintaining some regional balance. Such options could include the use of the human development index. The basic principles of a new allocation framework should be simplicity, transparency, the need for technical assistance, concentration on the poorest countries without marginalizing regions, and addressing the issues of human development. Canada commended UNDP for taking up the challenge and looked forward to the conceptual paper which UNDP would present at the thirty-ninth session.

33. On the subject of funding strategy, Canada was of the view that the best argument for mobilizing more resources was spending existing resources well. In that regard, his delegation shared many of the ideas expressed in document DP/1991/59, for example, that UNDP needed a more easily grasped profile (para. 4) or that UNDP resources should be used only for programmes of critical national importance (para. 14). While all of the above was true, on reviewing some of the programmes for the fifth programming cycle it appeared that they continued to be widely spread. Moreover, there were reports that some resident representatives continued to accept projects without trying to set priorities or develop very coherent programmes. Finally, there were a few representatives on the Governing Council who opposed even discussion of more appropriate criteria for country programming and evaluation. The current abyss between rhetoric and reality needed to be overcome. The funding strategy could not be separated from the programming strategy and, until UNDP came to grips with the latter, the impact of the former would be marginal.

34. Mr. JASINSKI (Poland) said that he wished to raise a specific question with the Administration concerning the calculations of IPF for Poland in the fifth programming cycle. The annex to document DP/1991/24 showed Poland as having the lowest per capita IPF of all countries, except one. In the view of his delegation, Poland was entitled to an IPF for the same amount as other countries with similar per capital GNP, population and previous IPF, and it believed that a technical error had been made in the calculations. That error should be corrected and his delegation wished to consult with the Administration thereon, starting with the figures first examined at the thirty-seventh session and their subsequent evolution. He was not calling into question the general issue of the criteria, but was presenting the specific case of Poland.

The meeting rose at 7.15 p.m.

UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1991/SR.32
20 June 1991

ORIGINAL: ENGLISH

GOVERNING COUNCIL

Thirty-eighth session

SUMMARY RECORD OF THE 32nd MEETING

Held at Headquarters, New York,
on Monday, 17 June 1991, at 10 a.m.

President: Mr. PIRIZ-BALLON (Uruguay)

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Programme planning

Preparations for the fifth programming cycle, including funding strategy (continued)

Other funds and programmes (continued)

Senior management structure (continued)

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The meeting was called to order at 10.25 a.m.

PROGRAMME PLANNING: PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE, INCLUDING FUNDING STRATEGY (continued) (DP/1991/24; 59; 64 and Add.1)

1. Mr. TAL (Director, Planning and Coordination Office) said that, in order to clarify the issue of graduation to net contributor status, he would distribute to the members of the Governing Council a table showing the various factors that were taken into account. In general, countries with net contributor status were required to contribute an amount equal to their indicative planning figure (IPF), plus support costs, plus costs associated with local offices. The new table, however, showed which countries had met their expenditure target and the expenditures achieved to date in the fourth cycle, instead of only taking the IPF into account. For example, some countries' contributions to the United Nations Development Programme (UNDP) had exceeded their expenditures on programmes and local office costs, but did not equal the full amount of their IPF.

2. Mrs. DUDIK-GAYOSO (United States of America) said that her Government's position on net contributor status was based on three principles: that UNDP technical assistance should be available to all developing countries, regardless of their per capita gross national product (GNP); that the graduation of countries to net contributor status was essential in order to maintain the integrity of UNDP and its attractiveness to donors; and that the mechanism for net contributor status should be simple to administer. IPFs for fifth cycle net contributors should remain within the $11.55 million set aside in accordance with Governing Council decision 90/34, and countries that became net contributors should not be entitled to a floor supplement. Furthermore, no fifth cycle IPFs should be issued to countries with outstanding net contributor obligations; fourth cycle obligations should be received by 31 December 1991. Her delegation also felt that net contributor arrangements for the fifth cycle should be made on an annual basis and should not anticipate deductions from sixth cycle IPFs to compensate for unpaid fifth cycle net contributor obligations.

3. Expenditures for country programmes in net contributor countries should be established by agreement between the Administrator and the country concerned, on the basis of previous experience and the resources which the country could be expected to provide. To facilitate programming and ensure a smooth transition to net contributor status, UNDP could advance, for the first year of the cycle, an amount representing up to one fifth of the fourth cycle IPF. That amount would remain available for each subsequent year of the cycle, provided that by 31 December of each year the country concerned had contributed at least that amount to UNDP.

4. Her Government favoured an arrangement which would separate the funding of local office costs from the funding of programme activities. In addition, it did not feel that there should be a field office in every net contributor

(Mrs. Dudik-Gayoso, United States)

country, and believed that field offices were required only for programmes costing at least $20 million. It agreed with the Administrator's proposal that contributions to cover local office costs should be negotiated separately, and suggested that those negotiations should be completed within one year for countries which had been net contributors in the fourth cycle, and within two years for those which would become net contributors in the fifth cycle.

5. Her delegation appreciated the Administrator's efforts to consult with other United Nations agencies on the feasibility of introducing the system-wide use of Special Drawing Rights (SDRs) as a unit of account. However, it concurred with the conclusions of the Consultative Committee on Administrative Questions that the introduction of SDRs would create administrative complications and would not yield significant benefits.

6. The proposals contained in document DP/1991/24 on principles for the allocation of resources for the sixth cycle clearly demonstrated the need for a simpler formula to determine IPFs. UNDP would indeed benefit from a thorough review of the objectives and principles underlying the allocation of resources as a first step towards a more responsive and focused programme of technical cooperation in the sixth cycle, but there was no need to begin that process immediately, since the fifth cycle had yet to begin. The Administrator should prepare proposals for consideration in 1993 on the use of the human development index in determining country allocations and on allocations among the country, regional and interregional programmes, as well as on the IPF/Special Programme Resources (SPR) distribution. It would have been preferable to give less weight to population in the fifth cycle, and to make no provision for floor supplements, which should be phased out in the sixth cycle.

7. With respect to the funding strategy, the United States did not feel that the neutrality and universality of UNDP constituted, in themselves, a comparative advantage, or that UNDP had an inherent comparative advantage in national capacity-building and human resources development. In paragraph 5 of its decision 90/14, the Governing Council had requested the Administrator to identify those specific activities and services in which UNDP had proven to be most effective in achieving development goals, but to date that exercise had not been carried out. The Governing Council had made a similar request with respect to human resources development in its decision 86/14, but had never received the detailed critical analysis it had requested.

8. The UNDP funding strategy should take into account an appropriate funding level for the Office for Project Services (OPS) and the management services agreements of UNDP in relation to its core programme. The issue of a funding strategy should remain on the agenda of UNDP for the specific purpose of allowing the Governing Council to consider the relationship between core and non-core resources.

9. Mr. BROUWERS (Netherlands) said that in its decision 90/14, the Governing Council had stressed the need for greater public awareness of UNDP in order to create and sustain broad public support for its goals and activities. The public information campaign undertaken in response to that decision had been valuable, but the most visible contribution had been made by the two Human Development Reports, which had stimulated public debate on the concept of development. He hoped that the next Human Development Report would further enhance the role of UNDP as the United Nations system's main promoter of human development.

10. The true measure of the value of UNDP was, however, the quality of its performance in the field. UNDP should continue to build on its comparative advantages in working to strengthen national capacity. Poverty alleviation, investment in people, improved economic management and sustainable development should be considered priority items. Although the many National Technical Cooperation Assessment and Programmes (NaTCAPs) carried out by UNDP had represented advances in needs assessment, the NaTCAPs were weak in the area of translating data into feasible programmes.

11. To improve programme quality and effectiveness, operations should be streamlined through the merger of trust funds, and resources should be concentrated on activities in which UNDP had a comparative advantage. With respect to funding, it would be risky to rely too heavily on the target of an 8 per cent annual increase in voluntary contributions, given the prevailing economic climate. Equitable distribution of the burden of funding among donor countries, and increased participation of recipient countries in the resource base, were more realistic approaches to funding problems.

12. His delegation was concerned about the amount of time which the Governing Council and the Administration had invested in the issue of net contributor status, in view of the small number of countries and the minor proportion of the budget involved. Although net contributor status could be burdensome in the context of changing political and economic situations, the principle of universality should be upheld, with due regard to the financial capacity of member countries.

13. His delegation supported the Administrator's proposal to grant floor protection for the fifth programming cycle at the level of 60 per cent of fourth cycle IPFs, provided that fourth cycle obligations had been fulfilled. It also supported the introduction of a maximum per capita GNP above which no IPFs would be issued. He hoped that broad support for the Administrator's proposals would put an end to the largely fruitless debate on the issue over the past 10 years.

14. Mr. SCHIMMOELLER (Germany) said that he agreed with the Administrator's recommendation that the question of SDRs as a unit of account should not be pursued for the moment. With respect to net contributor status, he agreed with the Administrator's proposals in paragraph 7 of document DP/1991/24, with the exception of the proposed transitional arrangements for countries with a

(Mr. Schimmoeller, Germany)

per capita GNP above $6,000 and small island countries with a per capita GNP above $7,500.

15. His delegation firmly believed that in the fifth programming cycle, UNDP should finance only the Resident Representative and up to two local general service staff in field offices in net contributor countries. In countries with IPFs below $15 to $20 million, country offices should operate with only a Resident Representative. While future administrative budget cuts might necessitate cuts in field office personnel, such cuts should not apply to African countries. Therefore, the Administrator should develop a flexible system of country offices, including offices dealing with more than one country and having only one international officer. If no agreement was reached on local office cost contributions by the end of 1991, the Administrator should close those offices and provide services to the countries concerned on a reimbursable basis.

16. His delegation agreed with the Administrator that a policy decision regarding principles for the allocation of resources was preferable to a resource distribution decision. It also favoured serious consideration of an allocation system based on the need for technical cooperation, on the political commitment to development and on the funding approach proposed by the Nordic countries. The Administrator should submit to the Governing Council at its thirty-ninth session a paper on a comprehensive system for sixth cycle resource mobilization and utilization, taking into account the options outlined in paragraphs 14 to 16 of document DP/1991/24, the policy decisions outlined in paragraph 12, the proposals submitted by the Nordic countries and potential options derived from the human development index. He would also welcome the results of the Administrator's proposal to develop a policy framework for graduation to net contributor status.

17. Mr. GIANELLI (Uruguay) said that Governing Council decision 90/34 had established a very delicate balance between two diametrically opposed viewpoints concerning the future allocation of UNDP resources, and any attempt to reopen a debate on that decision would therefore be counter-productive and dangerous.

18. Decision 91/3 on the distribution of Special Programme Resources (SPR) had also introduced a vitally important factor into the allocation of resources: the thematic orientation of programmes in the six priority areas established in paragraph 7 of decision 90/34. Another important component of that thematic focus, the regional programmes, had suffered drastic cutbacks in the fifth cycle. The regional programmes for Latin America and the Caribbean, for example, had been cut by about 50 per cent. He therefore supported the proposal of the representative of Chile at the 31st meeting of the current session concerning resources for the fifth programming cycle. Any surplus resources should be used to compensate for losses in the regional programmes, in accordance with the provisions of paragraphs 37 and 38 of decision 90/34.

(Mr. Gianelli, Uruguay)

19. He agreed with the Administrator that resource allocation parameters should be revised in the future, since per capita income and population, in addition to supplementary criteria and floor amounts, were insufficient for the equitable allocation of resources. He did not dispute the principle that poor countries should receive more assistance, but only the method used to arrive at the amount of that assistance. UNDP should devise criteria that were independent of geographical boundaries so that the neediest populations in all countries would benefit from UNDP assistance.

20. The criteria for resource allocation should be revised, but not in the direction implied by the Administrator's report, which appeared to favour the use of the new human development index, a criterion no less arbitrary than traditional indicators. He also felt that it was premature to begin discussing the criteria for the sixth cycle and that the development of new criteria should not begin until halfway through the fifth cycle. For the moment, the efforts of UNDP should concentrate on implementing the fifth cycle.

21. Mr. PETTITT (United Kingdom) said that he was concerned about the proposal to establish a level of per capita GNP above which no IPF would be issued, since United Nations agencies had traditionally defined a developing country as one which received an IPF. Therefore, the abolition of IPFs for certain countries might change their status under the legislation of those agencies, taking away the privileges they enjoyed in such areas as trade. As an alternative to discontinuing IPFs for such countries, he suggested assigning them IPFs in a nominal amount so as not to affect decisions taken within the rest of the United Nations system.

22. Mr. MORALES CARBALLO (Cuba) said that resources for the fifth programming cycle should be distributed in accordance with paragraphs 37 and 38 of Governing Council decision 90/34. The current principles for allocating resources had been the result of many years of work; for that reason, when establishing new principles for resource allocation, the Governing Council should provide guidance to the administration on ways of proceeding. Finally, his delegation considered that it was too early to begin activities related to the sixth programming cycle and that the Council should endeavour to ensure the success of the fifth programming cycle.

23. Mr. TAL (Director, Planning and Coordination Office), responding to points raised in the debate, said that the indicative planning figure (IPF) for Yemen for the fifth programming cycle had been calculated in a way that benefited Yemen. If two IPFs had been calculated for the two Yemens, the IPF would have been approximately $5 million greater than that for unified Yemen. The IPF calculation for one Yemen yielded a figure of a little more than $32 million. However, the floor protection meant that Yemen would in fact receive no less than the two Yemens had received during the fourth programming cycle.

(Mr. Tal)

24. The issue of special drawing rights (SDRs) was above all a financial one. If Governments were prepared to peg their contributions to a unit of account like SDR, then the terms of the debate would change. However, most delegations had concurred with the Administrator's proposal, which had been reached after very careful discussions with Members of the United Nations system.

25. The United Kingdom had noted that, in the Administrator's report on preparations for the fifth programming cycle (DP/1991/24), IPFs had not been based solely on per capita gross national product (GNP) and population. The reason for that was that it had been decided that the Governing Council would be much better served if the whole subject of criteria was reviewed. The legal basis for determining whether or not any country that was not receiving an IPF would be taken off the list had not been reviewed. The case of Kuwait, which was not receiving an IPF and which had a UNDP office, paid for the office, participated in the Programme and had declared itself a developing country, seemed to indicate that there was no impediment to maintaining a certain status if a country wished to do so.

26. India's proposal that the Administrator should prepare an issues paper, which would be a precursor to a comprehensive analytical paper, was viable, and the Governing Council would give it serious consideration.

27. Several delegations had commented on the level of field office staffing. The Programme had no intention of establishing a field office in every country that met certain criteria, or of assigning all field office posts and elevating the administrative budget to unsustainable levels. However, general guidance was needed from the Governing Council on the basis of which UNDP would be able to negotiate with the respective countries the possibility of establishing a post or an office with one, two or more UNDP staff members, depending on the type and size of the programme.

28. A number of delegations had expressed concern that allocations to net contributor countries might involve the transfer of resources from the poorest countries. That would not be the case, since no resources were ever transferred from one group of countries to another. In its decision 90/34, the Governing Council had designated a certain amount of money as undistributed IPFs to be provided to countries on the basis of future Council decisions or changes in the criteria for computing IPFs. If the Council decided on a certain distribution to net contributor countries that exceeded the amount already reserved in the calculations, the additional amount would come from undistributed IPFs.

29. The Administrator had not yet made any specific proposals on the use of the human development index but had suggested that a conceptual debate should be held on the methodology to be used, taking into account all available criteria and information. The single criterion of per capita GNP had proven to be very flawed, and there were other factors that must be taken into account in the distribution criteria.

(Mr. Tal)

30. The IPF for Poland would be discussed bilaterally, at which time it would be possible to ascertain whether or not there had been any error in the computation.

31. The United States had raised a number of questions regarding the principles to be applied to net contributor countries. While agreement had been reached on some principles, there were differences of opinion on others, and a formula would have to be found to guide the Administrator in determining whether or not a floor should be accorded. The issue of planning and timing should be reviewed. During the fourth programming cycle, there would be a number of countries whose expenditures during the cycle would exceed the contributions made by them during the cycle. The United States' proposal regarding a $20 million programme threshold for the establishment of a field office, as opposed to the $10 million proposed by the Administrator, was interesting and could be considered further by the Drafting Group.

32. The Netherlands had made a number of comments on approaches to be taken in allocating resources to the poorest countries. The Programme would be very pleased to review how a draft decision on the subject would be framed. He welcomed the proposal by the representative of Germany that the whole issue of field offices should be approached in a flexible manner.

33. There had been very little support for the Administrator's proposal that countries with a per capita GNP above $6,000 would be accorded 40 per cent floor protection. The comments that had been made in the report on funding strategy (DP/1991/64 and Add.1) and the Programme's comparative advantage, as well as the remaining issues raised by the representative of the United States, would be addressed in future reports.

34. Mr. MISSARY (Observer for Yemen) said that the allocation for Yemen for the fifth programming cycle should be no less than the allocation for both Yemens during the fourth programming cycle. He hoped that the reunification of Yemen, which had imposed an additional burden on that country, would be taken into account in the calculation of allocations for the fifth cycle.

OTHER FUNDS AND PROGRAMMES (continued) (DP/1991/43, DP/1991/44, DP/NRE/PROJECTS/REC/13 and DP/NRE/PROJECTS/REC/14)

35. Mr. AJELLO (Assistant Administrator and Director of the Bureau for Resources and Special Activities) welcomed the support which had been expressed for the Administrator's proposal to shift responsibility for the Funds and the United Nations Volunteers (UNV) from the Bureau for Resources and Special Activities to the Bureau for Programmes and Policy (BPP). That move would facilitate future coordination between the Funds and the central programme of UNDP, particularly in the six areas which would receive priority pursuant to Council decision 90/34. He also welcomed the favourable reactions to the Administrator's decision to retain the Funds' separate identities and operational autonomy within BPP, particularly given the close link between the

nature and purpose of the Funds and the thematic approach to multilateral cooperation reflected in those six areas of focus.

36. The major problem confronting the Funds continued to be a chronic shortage both of voluntary contributions to their core budgets and of financing or co-financing for specific projects and programmes. In recent years contributions to the United Nations Capital Development Fund (UNCDF) had increased by an average of 10 per cent annually. Substantial efforts would therefore be needed to bring the annual increase to 20 per cent, the figure recommended by the Second United Nations Conference on the Least Developed Countries. He welcomed the decision of the Italian Government to resume its contributions to UNCDF and noted that Canada and New Zealand had joined the list of donors. It was to be hoped that the ministerial-level forum of least developed countries established as a follow-up to the Conference would have a positive impact on increased contributions to the Fund. Considering that greater attention must be paid to the needs of the least developed countries (LDCs), that there were now 46 LDCs and countries in the "As if" LDC category, and that UNCDF had proven remarkably effective, he sincerely hoped that Governments would make it possible to attain the objectives established by the Conference.

37. That was particularly important in view of the increasing tendency in the new international political environment to channel resources primarily to regions of strategic political importance. Attention had been focused first on Eastern Europe and then on the Gulf countries; in the future, it would perhaps be focused on the Middle East. That was something to be hoped for, as it would mean that a peace dialogue had begun in the region. Whenever a peace process got under way in one of the world's "hot spots", there was a tendency to combine the political agreements with an economic aid package which could support them and make them viable.

38. None of the peace-development joint operations in itself represented a substantial threat of major resources being diverted. In the case of Eastern Europe, it had been noted that all the countries in that region together placed as many demands on the international cooperation budget as a single developing country of Brazil's size. However, if the trend became widespread, the financial resources for cooperation would be increasingly concentrated in some regions and significantly reduced in others. For example, sub-Saharan Africa, and the least developed countries in particular, ran the risk of becoming the real victims of that new trend in international cooperation. That was an additional reason why a fund such as UNCDF, which provided capital assistance to the least developed countries, and which was often their only source of financing, should receive much greater support from donor countries.

39. The objectives and activities of the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and the United Nations Fund for Science and Technology for Development (UNFSTD) were continuing to receive support, as shown by the resolutions recently adopted by the Committee on

(Mr. Ajello)

Natural Resources and the Intergovernmental Committee on Science and Technology for Development. UNRFNRE had received its first replenishment payment, albeit a small one, from the Government of the Philippines and was expecting similar payments soon from other successful projects, such as those in Ecuador and Peru. However, the level of resources remained very low despite firm support exressed for the mandates of the two Funds and their recognized effectiveness. While the joint management of the Funds had resulted in major administrative cost savings, financial support must be significantly increased if they were to play the role expected of them.

40. Mr. HELMKE (Executive Secretary of the United Nations Capital Development Fund) drew attention to the report of the Administrator on UNCDF for the biennium 1989-1990 (DP/1991/43) and to an information note containing additional data on recently approved projects.

41. His initial contacts with recipient and donor countries had made it apparent that both groups strongly supported UNCDF. The Fund's record had been reviewed at several recent international meetings, and it had been judged to be one of the few effective tools for implementing the participatory development policies which were increasingly in the forefront of development thinking world wide. At the the Second United Nations Conference on the Least Developed Countries, held at Paris in September 1990, it had become clear during the discussion of the Programme of Action for the Least Developed Countries for the 1990s that UNCDF had evolved into a specialized organization catering to the least developed countries in all regions, and that it should be allowed to play a more important role in promoting poverty alleviation in those countries during the 1990s. The recommendation by the Conference that UNCDF funding should increase by approximately 20 per cent annually was eloquent testimony to that understanding.

42. At the recent Tokyo Forum on Strategies for the Least Developed Countries in the 1990s, organized jointly by the Government of Japan and UNCDF as a follow-up to the Paris Conference, he had emphasized that UNCDF assistance in providing decentralized, small-scale investment not only brought about better managerial and administrative skills for local populations; it also led to socially responsible behaviour on the part of the "new private sector". In the process, the goal of transparency and accountability was introduced into the public life of the country.

43. Capital was a concrete form of aid which delivered early and tangible benefits to lower income groups. That aspect of investment contributed prominently to the Fund's characteristics and identity. However, the distinct identity of UNCDF, the specificity of its mandate and the integrity of its programming cycle were not only functions of its investment nature; they also held the greatest promise with regard to the Fund's ability to mobilize grant resources for the least developed countries.

(Mr. Helmke)

44. After three months as Executive Secretary of the Fund, his perception was that UNCDF was working well, and would continue to do so in a manner compatible with its mandate. It would continue to work very closely with UNDP resident representatives, who were also the Fund's representatives in the field. That would facilitate coordination and, more important, would allow the resident representatives to ensure that small-scale investment assistance was put to use where it mattered most.

45. That was consistent with the Fund's operational strategy of reaching target groups at the grass-roots level. Its investment projects endeavoured to meet the needs of the deprived; they were designed to tackle the various kinds of disparities within countries and to mobilize private initiative. The projects supported by UNCDF usually established participatory management systems which were essential for future operation and maintenance. They provided the basis for constructive and responsible mobilization of the population and initiated the process of self-management at the community level, thus encouraging grass-roots democratization.

46. The Fund was seeking to invest more than in the past in productive activities, in addition to its concerns with economic infrastructures and basic needs. That form of assistance fostered local participation in national economic development and social progress, while releasing people's full potential through improved access to facilities for production and cost-effective social services.

47. The multisectoral nature of the projects facilitated synergies between productive activities and basic needs services. At the village level, it also made possible complementary activities which helped to restore the agro-ecological balance in the rural areas. However, launching and monitoring such operations in remote regions of least developed countries was a very labour-intensive effort. It was one of his top priorities to improve the Fund's in-house professional capacity to do so in a manner which met the expectations of its partners.

48. The demand for the services provided by UNCDF continued to grow, in terms both of the changing nature of the job and of the number of countries served. One more country, Liberia, had recently been added to the list of least developed countries, and it was his understanding that a proposal would be submitted to the General Assembly for the addition of several more countries. On the supply side, if the appeal to which he had referred was heeded, increases in the Fund's resources should be forthcoming. Forward-looking management required an analysis of the need for strengthening the Fund's human resource base. The annex to document DP/1991/43 presented two scenarios for the growth of the funds available to UNCDF. In either case, growth of that magnitude would outstrip the Fund's ability to supply services to its current recipient countries as early as 1992. That was a matter of serious concern and it was to be hoped that a satisfactory solution would be found before the end of 1991.

49. Mr. TOMITA (Director of the United Nations Revolving Fund for Natural Resources Exploration and the United Nations Fund for Science and Technology for Development) said that the merits of having one team manage the two Funds would have to be reviewed after some time had elapsed, but as noted in the Kienbaum report, the arrangement had already led to a significant reduction in the administrative costs of both funds, to 11 per cent of available resources. Moreover, the cost-cutting had so far been accomplished without adversely affecting the Funds' activities.

50. With regard to UNFSTD, significant changes had taken place over the past two years, in addition to the management merger with UNRFNRE. A special effort had been made to ensure that the Fund's programme was a realistic one and to design an appropriate streamlined strategy for it. UNFSTD was working very closely with the United Nations Centre for Science and Technology for Development (CSTD). The overall result was a better allocation of scarce human and financial resources which was in the interests of recipient developing countries. UNFSTD had been able to consolidate its programmes over the past two years, and its activities would henceforth be concentrated in five main areas, namely, science and technology policies and strategies; technological innovation and entrepreneurship; technology information; quality control; and new and renewable sources of energy.

51. With regard to the financial resources of UNFSTD, there was one feature which was probably unique in the United Nations system: in 1991, its core resources had been received exclusively from developing countries. That was a clear indication of the Fund's limited resource base. More than three quarters of its activities were covered by non-core contributions from such countries as Italy, Germany, Japan, France and Norway. Obviously, financial support in addition to the core contribution was needed to sustain the activities of UNFSTD.

52. With regard to UNRFNRE, there had been two significant developments during the past two years. First, in addition to the regular donor countries, such as Japan, Indonesia, Bangladesh, Chile and others, the Governments of Belgium, China and Italy had begun to make regular contributions to the Fund's activities, significantly strengthening the financial base of its core resources. In addition to those new donors, the Fund had signed a memorandum of understanding with the Soviet Ministry of Geology for the joint financing of mineral exploration projects in developing countries. The first such joint project would be initiated in late 1991.

53. Secondly, the Fund had received its first replenishment payment, from the Government of the Philippines. That was a result of its successful chromite project on Dinagat Island in Surigao, and was one of the most significant and encouraging events in the Fund's history, since it validated the original concept of revolvability with which the General Assembly had established the Fund's activities. A second replenishment payment would also be made as a result of the Fund's successful discovery of a rich silver deposit at San Bartolome in Ecuador, which was scheduled to begin production under a joint

venture between a Canadian and a Japanese company. Replenishment payments were expected from that discovery in the second half of 1991.

54. In addition to the projects in the Philippines and Ecuador, the Fund was actively engaged in pre-investment follow-up activities in its successful projects in Honduras and Peru. The Fund's discovery of the Yuscaran gold and silver deposits in Honduras had attracted several private investors, both local and foreign. It was expected that the investment requirements would be met to put the Yuscaran deposit into production within the next two to three years.

55. In April 1990, a final report had been submitted to the Government of Peru on the discovery at Ananea of 250 million cubic metres of gold-bearing gravels containing approximately 1.6 million ounces of recoverable gold. It was hoped that production would start by 1995. Thereafter, substantial annual replenishment to the Fund could be expected from that project.

56. Field activities in Guatemala had continued with the exploration of El Pato, Río Managua and Quebredas, and a more precise evaluation of the tonnage and grade of the El Pato gold deposit had yielded a reserve estimate of 2.0 million tons of ore containing 6.8 grams of gold per ton. That was probably only a fraction of the total tonnage in the concession area. Several mining companies had already indicated to the Government of Guatemala their interest in developing the El Pato deposit.

57. The Fund's first geothermal project, in Saint Lucia, had led to the discovery of a major geothermal reservoir which was expected to be capable of providing up to one third of the country's electricity needs. Largely as a result of that success, the Fund had received official requests from developing countries world wide for several geothermal projects which had a large probability of success. However, geothermal exploration required highly sophisticated technology and carried a cost of approximately $10 million or more per project. Unless it received additional contributions, the Fund would be unable to respond to those requests. Two other projects (DP/NRE/PROJECTS/REC/13 and 14) were before the Council and would, he hoped, be favourably reviewed.

58. UNFSTD had made all the adaptations necessary to play a realistic and cost-efficient role within the present level of modest resources. He appealed to the industrialized and developing countries to renew their financial support in view of the Fund's new and more focused programme.

59. With regard to UNRFNRE, the importance of the development of natural resources could not be too strongly emphasized. The attainment of social and economic progress in the developing countries, with the elevation of living standards to desirable levels, demanded the availability, at reasonable cost, of mineral commodities for such basic pursuits as the building of national infrastructures and the development of basic industries. It was to be hoped

(Mr. Tomita)

that adequate high-risk capital for those purposes in the developing countries would be provided by the donor community. In the early 1970s, the technical group appointed by the Committee on Natural Resources to establish UNRFNRE had predicted that it would take 20 to 25 years, at an annual expenditure level of $10 million, before full revolvability could be achieved. The Fund had initiated its first project in Ecuador in 1976 and was currently halfway towards the planned goal of achieving the mandate set out for it by the General Assembly.

SENIOR MANAGEMENT STRUCTURE (continued) (DP/1991/50 and Add.1, DP/1991/51)

60. Mr. DRAPER (Administrator), replying to issues raised in the general discussion of the management consultants' report entitled "A Strategy-Based Management Structure for the United Nations Development Programme (UNDP)" (DP/1991/50), known as the Kienbaum report, recalled the suggestion that any reorganization of UNDP's management structure should await the results of the review of intergovernmental machinery in the economic, social and related fields. He fully agreed with the delegations of Cuba, Ghana, the Libyan Arab Jamahiriya and Turkey regarding the importance of that review and its potential impact on UNDP. In the meantime, UNDP should not delay the necessary internal adjustments prompted by General Assembly resolution 44/211 while awaiting broader decisions whose timing and scope were as yet uncertain.

61. The representative of Turkey had suggested that the consultants had gone beyond their mandate in raising the question of governance. However, governance and the senior management of UNDP were interrelated, and the impact of governance in terms of organization and corresponding workloads was profound. He did agree that the report's treatment of governance caused some problems.

62. The key question of UNDP productivity, which had been raised by the delegations of India, Japan and the United States, was a source of major concern to the Administration. He wished to point out some of the statistics presented in the Kienbaum report were flawed. For example, despite advice to the contrary, the consultants had insisted on consolidating "core" with "non-core" posts, resulting in a misleading interpretation of recent developments. The current budget estimates before the Council showed headquarters core posts to be 6 per cent below the 1975 level. He drew attention to a paper on statistical and factual issues raised by the Kienbaum report that was available in the conference room.

63. As to the consultants' proposals on the management structure, he welcomed the strong endorsement of strategic decentralization, in particular, by the delegations of China, Finland, France, Japan, Poland and Switzerland. Many speakers had commented on the need for UNDP to define its strategy. UNDP's long-standing strategy had always involved the use of technical cooperation for capacity-building. The strategy had grown more complex over the years, as member countries had added new mandates. The "grand" strategies listed by the

(Mr. Draper)

consultants were all identifiable elements of the UNDP strategy, which had grown out of a dialogue between the Council and the Administration, and with all the partners in the Programme. Council decision 90/34 and the recommended areas of focus were a good example of how that collaboration enriched the strategy.

64. The major function of the new Strategy Group would be to help the Administration define a longer-term vision for UNDP. The Group should identify emerging development trends and external opportunities and must build on UNDP's strengths and the results of the internal evaluation by the Central Evaluation Office. UNDP's comparative advantage should become more evident as the strategy continued to be refined. The delegations of Finland, India, Switzerland and the United States had raised the issue of the Strategy Group's relationship with the Bureau for Programmes and Policy (BPP). That relationship would be interactive and continuous: after hearing the concerns and aspirations of countries, the Strategy Group would develop a long-term vision in consultation with senior managers and the Administration. BPP would translate the outcome into coherent products, policies and programme guidance for Governments, the specialized agencies and UNDP.

65. The Planning and Coordination Office (PCO) should not be viewed solely as the manager of UNDP's long-term resource flows. Its work in planning and emergency management was part of its operational planning and coordination function. PCO would remain closely linked with the operational levels of UNDP, a point on which the delegations of Switzerland and the United Kingdom had expressed concern. Some PCO staff would be outposted to the regional bureaux to ensure appropriate feedback of the results obtained from evaluation work there.

66. He had noted a degree of agreement concerning the establishment of the Bureau of External Relations, and the representatives of the United States and France had expressed varying concerns about the UNDP Office at Geneva. Depending on future requirements, both the functions of the Geneva Office and its relations with the new Bureau would be enhanced. The delegations of Romania, Switzerland, Turkey and the United States had expressed misgivings with respect to the placement of the Governing Council secretariat within the framework of the new Bureau. While it was true that the Governing Council was shared by UNDP, the United Nations Population Fund and the Department of Technical Cooperation for Development, he did not believe that the new arrangement would interfere with the direct working relationships between the Governing Council and its secretariat. Sound management practice demanded that primacy must be given to a single, coherent approach to external relations, fund-raising, information, public affairs and the Governing Council.

67. Noting that the discussion of the Human Resources Division had revealed some disagreement among members, he reiterated his belief that the administration and conditions of service functions should remain with that Division and should not be transferred to the Bureau for Finance and Administration as suggested by the consultants.

(Mr. Draper)

68. He had been pleased at the level of support expressed for the proposals regarding the Bureau for Programmes and Policy (BPP). A strengthened BPP was crucial for the proposals on strategic decentralization, for UNDP's ability to engage in informed discussions with Governments to ensure improved impact for its programmes, and for the translation into action of the areas of focus identified in Council decision 90/34. He sincerely hoped that the Council's decisions on the budget estimates for 1992-1993 would match the extent of support expressed on the issue.

69. The division in the debate on the reporting line for technical cooperation among developing countries (TCDC) provided no definite guidance. However, on balance, he continued to believe that, for legislative and historical reasons, the Special Unit for TCDC should continue to report directly to him. The same was true for the United Nations Development Fund for Women (UNIFEM).

70. As to the association of the Division for Global and Interregional Programmes (DGIP) and the Trust Funds with BPP, he strongly emphasized, in response to the observations by the delegations of France, Germany, Japan and Switzerland, that the Funds would retain their identity and their specificity and that their operational functions would not be transferred to the bureaux or to the field. He had noted the generally favourable comments from the delegations of the Netherlands, the United Kingdom and the United States regarding the association of UNV with BPP.

71. In reply to the request for clarification from the delegation of Finland on the policy implications of the reorganization of BPP for the Division for Women in Development, he emphasized that the women in development programme would remain a separate and viable unit within the new Human Resources Division. The programme leader would be a member of the Action Committee, the Policy Planning Committee and other key bodies. The programme would continue to give high priority to advocacy and gender-sensitivity training, as well as to policy development and personnel issues, along with its programme development and support functions.

72. With respect to his proposals regarding Division Managers, he emphasized that the changes envisaged were intended to help ensure improved service to all countries, particularly the poorest among them. He intended to strengthen the dialogue between the resident representatives and host Governments and to ensure that UNDP provided better intellectual and material support to its field offices. UNDP had strengthened its recruitment programmes and clearly had the competence to meet needs in the field. UNDP would not contribute to a brain drain. Furthermore, field office management would be strengthened, the authority and accountability of resident representatives would be enhanced and, in particular, regional directors would be responsible and accountable for the programme and managerial performance of field offices.

(Mr. Draper)

73. The early stages of implementation of UNDP's strategic decentralization would call for strengthened management capacity. The appointment of Division Managers would reduce the span of control to manageable proportions. He assured the Council that he would not implement that proposal at the D-2 level until authorized to do so. The Division Manager system would be introduced gradually, independent of any upgradings, and would be built into the plans for decentralization. The job descriptions of Division Chiefs would be revised, and he would present detailed proposals to the Council in February 1992.

74. He reiterated his belief that the time had come to increase the approval authority of resident representatives to $US 1 million and that of regional bureau directors to $US 3 million. The programme approach and the need for increased national execution, more efficient delivery and increased responsibility and accountability all required an additional demonstration of trust in those officials. The increased approval authority should be tied to the implementation of the Division Manager structure. As to the need to reinforce internal accountability emphasized by the United States delegation, he said that the increased delegation of authority would in no respect dilute the appraisal function of the Action Committee or of the regional bureaux and field office project approval committees.

75. He had noted the widespread interest of delegations in a more clearly defined role for the Office for Project Services (OPS). That required further detailed thought and discussion and he suggested that, even if no new capacity study was carried out, discussions should await the results of an internal management analysis on which he would report at the Council's thirty-ninth session. Having said that, he stood by his recommendation that the Director and Deputy Director of OPS should be ranked at the ASG and D-2 levels, respectively.

76. With regard to the Bureau for Finance and Administration, which employed 250 people, he reiterated the points he had made in paragraphs 76 and 77 of his comments on the management consultants' report (DP/1991/51).

77. Turning to the question of implementation, he said that, subject to the Council's deliberations, he would proceed with many of the proposals he had outlined. The proposals on BPP and the Human Resources Division were included in the budget estimates for 1992-1993 and would be implemented as soon as a decision had been reached. The proposals on the Strategy Group, the Bureau for External Relations and the association of DGIP, the Trust Funds and UNV with BPP involved no budgetary increases and could be implemented immediately. The Division Manager's functions would be given definitive form on the basis of the programme area function analysis and the Integrated Administrative Systems project. Staffing patterns for the programme and administrative areas would be redefined. Detailed information would be provided to the Council in February 1992.

(Mr. Draper)

78. In conclusion, he reassured the Council that he would continue to devote his energy to advancing and deepening the reform process.

79. The PRESIDENT said that if he heard no objection, he would take it that the Council agreed that the Drafting Group should proceed to elaborate draft decisions on the item.

80. It was so decided.

The meeting rose at 12.45 p.m.

UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1991/SR.33
1 July 1991
ENGLISH
ORIGINAL: FRENCH

GOVERNING COUNCIL

Thirty-eighth session

SUMMARY RECORD OF THE 33rd MEETING

Held at Headquarters, New York,
on Monday, 17 June 1991, at 3 p.m.

President: Mr. PIRIZ-BALLON (Uruguay)

later: Mr. JASINSKI (Poland)

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The meeting was called to order at 3.10 p.m.

SPECIAL PROGRAMMES OF ASSISTANCE

PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE (DP/1991/65)

1. Mr. ROTHERMEL (Director, Division for Global and Interregional Programmes and Director, Programme of Assistance to the Palestinian People), introducing the report of the Administrator on assistance to the Palestinian people (DP/1991/65), said that programme delivery in 1990 had jumped to a record level of $11.7 million, more than three times the level for 1989, making it possible to commence or complete several new activities in the West Bank and the Gaza Strip. On the other hand, the overall economic and social situation of the Palestinians had seriously deteriorated as a result of the Gulf war.

2. At the request of the Secretary-General, UNDP had led an inter-agency mission to the occupied Palestinian territories in May in order to identify activities likely to decrease unemployment among Palestinians - which affected at least 30 per cent of the workforce - and to increase economic productivity, which had been severely affected by a reduction in remittances from expatriate workers in the Gulf and a loss of jobs in Israel. On the basis of the mission's report, which noted that the economic crisis affecting the Palestinians could have far-ranging implications for the region as a whole, the Secretary-General would be issuing an appeal for funds to support programmes covering education, health, industry, rural water and electricity, urban water, small-scale credit and rural employment. The activities to be initiated over the next 12 months would cost $86.5 million, an amount far lower than the annual remittances received in the occupied territories before the Gulf crisis. Most of the activities would be carried out by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and by UNDP. The latter was also involved, through the programme of assistance to the Palestinian people, in the gathering and analysis of data to improve the database required for the execution of development activities.

3. In conclusion, he emphasized the essential role played by UNDP in the region's economic development and recalled that the programme enjoyed the support of Palestinians and the Palestine Liberation Organization.

4. Mr. ABU-KOASH (Office of the Permanent Observer for Palestine to the United Nations) said that most of the funds made available by UNDP had been allocated to activities relating to health services, which, under international law, should be the responsibility of the occupying Power. It was the policy of that Power to divert into other sectors funds which should in principle be devoted to projects for employment and revenue-producing activities. While it was obviously difficult for UNDP to carry out its activities in occupied territory, it should nevertheless exert more pressure on the occupation authorities with a view to ensuring the implementation of development projects, and particularly of those relating to the fishing and

(Mr. Abu-Koash)

commercial port and the construction of a cement works in the Gaza Strip, as well as the citrus-processing plant funded by the Italian Government.

5. UNDP had played an important role not only in itself providing assistance but also in facilitating the provision of aid by other United Nations agencies. With the $15 million allocated to the programme for the fifth programming cycle, UNDP was the second most important source of funds after UNRWA. However, direct contributions had been kept to the very minimum, despite the worsening of the situation.

6. While Israel had enjoyed unprecedented financial support during the Gulf crisis, the Palestinians had not even been authorized to seek compensation. In addition, a number of Arab countries which had displayed lavish generosity in the war effort had provided no support to the intifadah, and certain Western countries had upbraided the Palestinian people for statements made during the war when Israel kept up its acts of repression.

7. Unlike other bodies, UNDP was at the forefront of human development. One could not therefore help regretting that there had been no mention of occupied Palestine in the Human Development Report, despite the devastating effect of the occupation authorities' practices on economic and political freedom, development and health. It was to be hoped that, when the next such report was compiled, account would be taken, when applying the Human Development Index to Israel, of the fact that that country was an occupying Power.

8. UNDP had a crucial role to play in the execution of development projects because there was no national entity in occupied Palestine which could plan and mobilize resources. Certain promises had been made, and it was to be hoped that they would be fulfilled, but experience showed that Israel often approved projects in principle only to prevent their execution at a later stage. However, it could not be overemphasized that assistance could in no circumstances serve as a substitute for a just settlement of the question of Palestine, based on the international legitimacy which Israel continued to reject.

9. Mr. LIU Lianke (China) reiterated his country's support for the Palestinian cause and expressed the hope that UNDP would, in planning its assistance activities, hold consultations with all the parties concerned.

10. Mr. ROTHERMEL (Director, Division for Global and Interregional Programmes and Director, Programme of Assistance to the Palestinian People) took note of the comments made by delegations and noted that work on construction of the citrus-processing plant in the Gaza Strip had already started.

11. The PRESIDENT declared that the Council had concluded its general discussion of the item under consideration and proposed that the Drafting Group should draw up the corresponding draft decision.

12. It was so decided.

UNDP GULF TASK FORCE (DP/1991/60)

13. Mr. NOUR (Assistant Administrator and Regional Director, Regional Bureau for Arab States and Europe), introducing the report of the Administrator entitled "Impact of the Gulf crisis on developing countries: needs and initiatives" (DP/1991/60), said that the report reviewed actions undertaken since the organizational meeting of the Governing Council in February 1991, when the Administrator pledged $4 million on behalf of UNDP from Special Programme Resources to help developing countries face the impact of the crisis.

14. The impact of the crisis had been truly global. To date, 21 countries in different regions had formally applied for United Nations assistance under Article 50 of the Charter, citing losses of over $30 billion. The Gulf Task Force, whose activities were coordinated by the Regional Bureau for Arab States and Europe, included representatives of all the UNDP regional bureaux and concerned units and had at its disposal information provided by the Governments and non-governmental organizations active in the region. At the meeting in May of the Standing Committee on Programme Matters, certain delegations had requested additional information from UNDP on its activity in the field, particularly in Iran, Jordan, Syria and Turkey, and that information had been provided. UNDP had already acted swiftly in response to the crisis within the limits of available IPF resources. Following the Administrator's decision to allocate funds from Special Programme Resources, the Task Force had prepared a special programme for the countries most affected and coordinated its activities with those of other donors in order to maximize their impact. Over 60 per cent of the funds had already been allocated, and the rest would be committed in the very near future. Five areas of priority need had been identified: (i) immediate humanitarian measures; (ii) rehabilitation of institutions and infrastructure; (iii) assistance in macrolevel management; (iv) human development needs created by the large number of returnees; and (v) environment.

15. With regard to immediate humanitarian needs, UNDP had contributed to the United Nations humanitarian programme, and, through its resident representatives, had provided a coordination and liaison channel with the Governments of the region in addition to offering considerable administrative support. At the pledging conference held on 12 June at Geneva, the Secretary-General had appealed for $448.9 million to finance humanitarian relief operations and to cover the costs of the United Nations contingent in Iraq. To date, only 45 per cent of the resources needed to implement the programme had been forthcoming. UNDP, for its part, had provided $250,000 in seed money from the Special Programme for the Countries Most Affected by the Gulf Crisis, which had resulted in the mobilization of a further $1 million from the Japanese Government. UNDP was also financing the dispatch of some 50 United Nations Volunteers to the field to work with the Office of the United Nations High Commissioner for Refugees (UNHCR), the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), the International Organization for Migration (IOM) and the office of the Coordinator for United Nations humanitarian assistance at

Baghdad. The Special Programme was covering the costs of Prince Aga Khan's special representative in Baghdad, and the Geneva Office of UNDP was also contributing to the humanitarian operations.

16. With respect to institutions and infrastructure, the countries most directly affected were evidently Kuwait and Iraq, although the specific needs of other countries, such as Lebanon, Egypt and Morocco, also needed to be taken into account. In the case of Kuwait, an allocation of $100,000 for programme formulation had been made under the Special Programme. In Iraq, where the human suffering was immense, the IPF programme would have to be reformulated, once sanctions had been lifted, to take account of the new needs. So far an allocation of $100,000 for immediate humanitarian assistance had been made under the Special Programme.

17. Turning to macrolevel management, he said that a large number of developing countries in the Arab region, Asia, Central and Eastern Europe, Africa and Latin America had lost billions of dollars in remittances, contracts, trade, tourism and financial aid. The Special Programme had enabled UNDP to move quickly in conducting impact assessment studies in various countries, ranging from Albania to Viet Nam and including the occupied Palestinian territories. In some cases seed money had been provided for the formulation of programmes to assist countries in the sphere of macroeconomic management, and to rechart development strategies, arrange debt rescheduling and seek balance-of-payments support.

18. In the the area of human development, seed money had been provided for the preparation of comprehensive programmes in response to the needs generated by the repatriation of close to 3 million workers. The Special Programme was also funding a project relating to regional migration in Egypt, Jordan, the Sudan, Yemen and Lebanon which would culminate in an Arab-Asian workshop. Special Programme funds were also being used for national programmes to identify the skills of repatriated workers, provide training where necessary and develop action plans. That was of particular relevance to Yemen, the country most affected by that aspect of the crisis.

19. The impact of the war on the environment could not be overestimated. UNDP was cooperating with the United Nations Environment Programme (UNEP) and the International Maritime Organization (IMO) in assessing damage and coordinating activities to combat pollution, with a preliminary budget of $3,157,000. The Gulf Oil Pollution Disaster Fund, established by IMO, now had $6 million in resources. UNDP had used Special Programme funds to help Bahrain monitor the impact of air pollution on its population and was helping to fund a seminar to be held in August to study the impact in the region of the fires in the Kuwaiti oil fields. Lastly, Special Programme funds would be allocated to field a mission to the region to formulate a programme, in cooperation with UNEP and IMO, to meet long-term technical assistance needs.

(Mr. Nour)

20. UNDP was aware that its activities must not be confined to immediate humanitarian assistance but must also be concerned with long-term sustainable development. To that end the Programme had identified a number of areas in which its assistance was needed. Thus, in the field of macrolevel management, UNDP should update socio-economic baseline data on the basis of recent developments in addition to supporting energy management programmes, the expansion and diversification of exports, the management of aid flows, and resource mobilization. In the area of human development, an attempt must be made to address structural imbalances in the labour markets of countries affected by the war. Direct assistance must be linked not only to human development, but, at the macroeconomic level, to adjustment plans and the structure of public expenditure. In the area of employment, more social development funds should be set up along the lines of that established for Egypt, for which some $660 million in funding had been provided by the World Bank and bilateral donors, with UNDP providing technical assistance. Lastly, with regard to the environment, UNDP believed it essential to provide technical assistance in respect of information collection and dissemination as well as support for environmental impact assessment programmes.

21. It was clear that the funds available under the fifth programming cycle would not be sufficient and that further sources of funding must be sought in order to provide, initially, an additional $70 million. UNDP intended to formulate a programme for action at the regional and country levels and to discuss its components with donors from within and outside the region, in an effort to achieve economies of scale. The broad outline had already been determined and would be made available to interested delegations. UNDP hoped to convene a meeting of affected and donor countries in the autumn of 1991 in an effort to move beyond the emergency situation and work towards peace and development.

22. Mr. AL-FAIHANI (Observer for Bahrain) thanked the Director of the Regional Bureau for Arab States and Europe for the work of his team and informed the Council of his Government's endorsement of the programme established at the request of the countries of the region. Four million dollars would be allocated from Special Programme Resources at the end of the fourth programming cycle, in an indication of UNDP's quick response to the needs of the countries of the region. The amount was modest, but his Government considered it to be a useful contribution in coping with the aftermath of the Gulf crisis. With regard to the fifth programming cycle, assistance must be provided to the Gulf countries, particularly Kuwait, which had suffered the full impact of the crisis. The first priority must be to combat atmospheric pollution in the Gulf region.

23. Mr. SCHATZER (International Organization for Migration) said that more than 5 million people had been displaced as a result of the hostilities in the Persian Gulf region. Many of them were foreign workers attracted to the area by job opportunities. While most had escaped to their countries without suffering physical harm, the economic and social consequences had been

(Mr. Schatzer)

devastating. Their countries of origin were poor, highly reliant on remittances from migrant workers, and had suddenly found themselves deprived of those funds. The export earnings of many countries had fallen sharply. Most migrant workers had left Kuwait and Iraq on their own initiative or had been assisted by their Governments. Yet more than 200,000 workers, particularly from Asian countries, had received assistance from the international community through the International Organization for Migration, which had repatriated them by road, air and sea through Jordan, and, with the agreement of the Security Council sanctions committee, directly from Iraq.

24. IOM had arranged for the return transportation of more than 260,000 Kurds to their home areas and was now turning its attention towards the hundreds of thousands who had fled to Iran.

25. As a consequence of requests by member Governments, IOM had recently undertaken an assessment mission to countries in Asia with large numbers of returnees. Recent events had revealed that the protective mechanisms and infrastructures of a number of sending countries were inadequate to deal with a problem of such vast dimensions. Collection of basic information on migrant workers and their movements, language training and pre-departure cultural education were among the areas in need of international assistance. IOM stood ready to coordinate the work in those areas with UNDP's unique network of field offices and with other concerned international organizations.

26. More and more people were on the move throughout the world because of underdevelopment, population-versus-resources imbalances, poverty, environmental constraints, civil strife or war. Their fate was increasingly a matter of concern to the international community. The International Organization for Migration stood ready to continue its cooperation with the United Nations system on the orderly return of refugees and displaced persons to their own countries.

27. Mr. MISSARY (Observer for Yemen) thanked the Director of the Regional Bureau for Arab States and Europe and his staff for their tireless efforts and their very important contributions. The situation in the Gulf region was very complex: the repercussions of the crisis were still being felt but differed widely from one country to the next. Yemen had been very much affected by the crisis, which had arisen at the very moment when the country was celebrating its reunification, but looked to the future with pragmatism and welcomed the reaffirmation of the principle of joint responsibility of countries of the region and of the entire world in the aftermath of the crisis. Yemen had, as everyone knew, implemented all Security Council resolutions, including resolution 661 (1990), despite the dire consequences to itself. Yemen was a least developed country, and the resources it had available for development consisted mainly of remittances from migrant workers (although such remittances had dropped to only 20 per cent of their pre-crisis level); similarly, Yemeni exports - and donations to Yemen - had practically dried up. Yemen had been hard hit by the arrival of more than a million returnees,

(Mr. Missary, Observer, Yemen)

which had put the Government in a very difficult position. Losses were very heavy: more than $3 billion. To make matters worse, the return of migrant workers had caused the unemployment rate to triple, while the returnees were sorely in need of training and medical care. The Government was trying to meet those needs, but the situation was deteriorating and the social fabric could not withstand such an influx. With respect to the environment, Yemen had the same problems as other countries in the region, and wished to see implemented a comprehensive plan for protection from the war's environmental damage.

28. Yemen had developed in collaboration with IBRD a $245 million plan whose first segment would cost $60 million. It had received a $33 million loan from the World Bank and hoped to supplement that amount with aid from other multilateral and bilateral donors. The Sana'a office had submitted a proposal for UNDP to contribute $668,000 to the implementation of the plan. He hoped that UNDP would immediately vote funds for Yemen so that it could deal with its difficulties. Yemen approved of the programme drawn up for it and the other Gulf States by the Regional Bureau for Arab States and Europe for the next programming cycle.

29. Ms. HASSAN (Observer for Egypt) said that her Government thanked UNDP and particularly the Regional Bureau for Arab States and Europe and its Gulf Task Force for their important work. The role played by UNDP arose logically from its neutrality and universality, which allowed it to deal with the effects of international crises. The work of the UNDP Task Force was part of a long-term development strategy and although its mandate did not include the political aspects of the crisis, it still had a solid historical basis resulting from the international community's reaction to the crisis. With respect to immediate humanitarian needs, her delegation welcomed the Programme's activities and the good results of the donors' conference held in Geneva. There was a disparity between what the Administrator's report (DP/1991/60) said was the number of Egyptian returnees (500,000) and the figure Egypt had arrived at (more than a million); such a disparity was a sign of the seriousness of the crisis and showed how important it was to make a continuous assessment of its aftermath, which was well within the competence of UNDP. With respect to the long-term needs arising from the crisis, at the level of infrastructure, macroeconomic policy and environment, which would have repercussions for Egypt's overall development, her delegation supported the proposals put forward by UNDP officials. With regard to macrolevel management, UNDP's relative advantages would allow it to play an essential role. Her Government intended to cooperate with UNDP in making the necessary changes to the proposed programme, but on the whole it was well designed and should play a major role in the international cooperative effort being carried out in the region to remedy the consequences of the crisis and in the assessment and follow-up of those consequences for the region, which were anything but simple.

30. Mr. ESPADA-PLATET (United States of America) expressed his Government's deep admiration for the action undertaken by the United Nations system, including UNDP, in response to the Gulf crisis. The humanitarian relief effort was continuing under difficult circumstances, particularly as the United Nations system, including UNDP, had been called upon to respond to other international tragedies and disasters in recent months. The United States had just pledged an additional $61.2 million to the United Nations refugee assistance programme. His Government fully supported UNDP's efforts to remedy the consequences, at the humanitarian level, of Iraq's illegal invasion and occupation of Kuwait and its effects on development. The key to the success of UNDP operations would be the continuance of international aid and the strengthening of cooperation with other United Nations agencies performing humanitarian functions, while avoiding duplication and ensuring the best possible coordination. He urged UNDP to consult with other international humanitarian organizations, and particularly ICRC.

31. Mr. UMER (Pakistan) thanked the Director of the Regional Bureau for Arab States and Europe for UNDP's efforts and said that his country considered the special assistance programme highly important. It was entirely within UNDP's mandate as a development agency providing technical assistance, since it addressed not just a humanitarian problem but a development problem such as many different countries, including Pakistan, were faced with. UNDP had taken immediate measures to carry out its mandate, and must be congratulated on them. The Programme should continue after 1991, for the countries affected by the crisis needed not only short-term relief, but also long-term development assistance. He wondered whether other sources of funding were available and what precisely were the criteria for allotment of funds. He emphasized that all donors' meetings, and particularly that which would be held in Geneva in the autumn of 1991, would have to gain the full participation of the representatives of countries affected by the crisis, and that such countries should also assist in organizing those meetings.

32. Mr. YENEL (Observer for Turkey) said that the Administrator's report on the impact of the Gulf crisis on developing countries (DP/1991/60), despite its conciseness, presented a very complete analysis of the consequences of the crisis. He welcomed the rapidity with which the Administrator had established the Gulf Task Force, as well as the effectiveness of the response of United Nations bodies and of UNDP, which had coordinated the action undertaken immediately after the cease-fire to respond to the humanitarian needs of populations living in the Iraq/Turkey and Iraq/Iran border areas.

33. The Gulf crisis continued to take a heavy toll on developing countries. Exports had decreased, tourism had stagnated, unemployment persisted and the environment had suffered severely. The soot and smog caused by burning oil well fires in Kuwait constituted a serious ecological problem even in Turkey, where agriculture in the southern and south-eastern parts of the country was affected. Current studies should contribute, inter alia, through data gathered in other parts of the Gulf region, to the constitution of a database on the issue, which would form the basis of the necessary in-depth assessment

(Mr. Yenel, Observer, Turkey)

of the impact on the environment. With respect to the phenomenon's effects on tourism, a project of assistance to the tourist industry in less developed areas of Turkey had been launched in collaboration with UNDP.

34. Table 1 of the report under consideration did not paint an entirely accurate picture of the total impact of the Gulf crisis on Turkey. However, he understood the difficulties which the Administrator had faced in trying to provide exact figures. He hoped that a similar report would be prepared in 1992 to refine the assessment of the impact of the crisis; the report could simply be an update of the report under consideration.

35. Finally, with respect to the report prepared by Mr. Nazem Abdalla of the Economic and Social Commission for Asia and the Pacific as a background paper, he was surprised that the situation in Turkey had received very superficial treatment, consisting of only seven lines on page 31.

36. Mr. Jasinski (Poland), Vice-President, took the Chair.

37. Mr. KABIR (Observer for Bangladesh) said that the Gulf crisis had had serious consequences for the economic and social development activities of developing countries, particularly the least developed countries. The rapidity with which those countries had foundered in the crisis and their well-known vulnerability had laid them open to devastation of such magnitude that it would take them years to recover from the effects.

38. Bangladesh was one of those countries. It had lost export revenue and remittances from its workers abroad. In addition, it must finance the repatriation and reintegration of more than 90,000 workers. Its total economic loss exceeded $1.5 billion. The seed money allocated under the Special Programme of Assistance to Countries Most Affected by the Gulf Crisis had resulted in the generation of supplementary financing. However, those funds must serve to respond not only to immediate needs, but also to long-term needs.

39. Mr. TWITE (United Kingdom) welcomed the rapidity with which UNDP had responded to the Gulf crisis, not only in the Gulf region itself, but also in countries affected by the threefold problem of displaced persons, refugees and returnees. However, his delegation felt that there should be no plans to expand the scope of the operation. Many countries could claim to have been affected by the Gulf crisis to one degree or another, and the action undertaken should not be weakened by an excessive scattering of efforts. A limit must be established.

40. The proposal for an integrated, five-year initiative for the reintegration of returnees and for sustainable human development was interesting. However, he wondered whether the components of that initiative, namely a five-year operation with several funds per country, each of whose resources could go up to $300 million, were truly realistic. UNDP must specify which partners it planned to involve in that initiative.

(Mr. Twite, United Kingdom)

41. With regard to the idea of holding meetings with donor countries put forth in the conclusion of the report, he wished to know whether such meetings would be at the country, regional or global level.

42. Undoubtedly, UNDP had not had time to prepare a complete report. However, it must be recognized that the report raised more questions than it answered and did not constitute an adequate basis to attract pledges of contributions that would match the ambitions of the programme envisaged.

43. With respect to the environment, his delegation wished that UNDP had provided more details on what it had done to support the Inter-Agency Action Plan and the Gulf Oil Pollution Disaster Fund.

44. The Gulf crisis had demonstrated the need for coordination of emergency aid by the United Nations, an issue which the Economic and Social Council would debate in the near future. It was to be hoped that, in the context of the response to the Gulf crisis, nothing would be done to deplete the substance of debates to be held in other forums, particularly the United Nations Conference on Environment and Development.

45. Finally, he noted that to date, Iraq had been given only humanitarian aid, to which he was in no way opposed. However, in the area of reconstruction assistance, he hoped that the sanctions imposed by the United Nations would be fully implemented and that UNDP would take the necessary precautions in approaching the issue of that type of assistance.

46. Mr. KALPAGE (Sri Lanka) welcomed the detailed information given by the Assistant Administrator of UNDP on the way in which UNDP had responded to the appeal for help launched by the countries affected by the Gulf crisis. In the case of Sri Lanka, the crisis had aggravated the country's various economic problems. More than 100,000 expatriate workers had returned to Sri Lanka, thus compounding the unemployment problem. The country had lost some $90 million in funds which those workers had previously remitted from Iraq and Kuwait. Among Sri Lanka's sources of foreign exchange, tea ranked second, and one eighth of its tea exports had previously gone to those two countries. The price of tea on the international market had dropped. The situation concerning Sri Lanka's balance of payments had deteriorated considerably.

47. Sri Lanka welcomed what UNDP had done to assess the impact of the crisis and to facilitate the reintegration of repatriated workers, a problem which must be resolved quickly to avoid still more serious consequences. Sri Lanka therefore hoped that the Security Council would take steps to ensure that countries which applied the sanctions it had imposed would receive more substantial assistance.

48. He thanked the International Organization for Migration for having helped Sri Lanka by providing means of transportation for the repatriation of expatriate workers.

49. Mr. AMAZIANE (Observer for Morocco) said that the report published under the symbol DP/1991/60 gave an indication of the magnitude of the work which remained to be done with respect to macrolevel management and the environment. The report rightly emphasized that it was time to move beyond emergency assistance and to elaborate a medium-term programme to revitalize the economies and development of countries in the Gulf region and of all other countries affected by the crisis.

50. With respect to resources allocated to meet the needs arising from the crisis, he noted that 60 per cent of the $4 million allocated from Special Programme Resources had been committed and that the remainder would be committed by the end of 1991. Since all of the programmable resources of UNDP had been committed, it would be necessary to call upon the international donor community. In addition, the Gulf Task Force was proposing a development revitalization plan for the affected countries which, together with a financing strategy, would be submitted to the international community towards the end of the current year.

51. During its second regular session in Geneva in July 1991, the Economic and Social Council would hold informal consultations on the impact of the Gulf crisis. UNDP should participate in those consultations and should take them into account in elaborating the medium-term programme which was to be ready by the end of the year, and with respect to which he proposed that the Governing Council should consider a draft decision co-sponsored by Algeria, Benin, Bulgaria, Morocco, Pakistan, the Philippines, Romania, Uruguay and Yemen. He planned to communicate the draft decision to the Secretariat, which would have the text translated into the six official languages, and his delegation was prepared to consider it in the Drafting Group.

52. Mr. ABOU-HADID (Observer for the Syrian Arab Republic) commended UNDP for the speed with which it had provided aid in very specific areas to the countries most affected by the Gulf crisis, despite the low amount initially allocated by UNDP to meet those needs. He hoped that UNDP, in cooperation with other United Nations agencies, would be able to supplement that start-up capital by means of other funds, including donations. He wished to thank the countries that had given assistance to the Syrian Arab Republic. He hoped that the UNDP administration would study the report submitted by his country to the Security Council. The extent of the damage suffered by his country and the other two countries that the Council had found to be the most affected by the Gulf crisis should be taken into account.

53. Mr. POPESCU (Romania) said that in his report on the impact of the Gulf crisis (DP/1991/60) the Administrator had reviewed the economic, social and human costs. There was no doubt that the impact of the crisis had been of such magnitude that a special response, and special resources, were required to move beyond emergency responses, and towards development and cooperation.

(Mr. Popescu, Romania)

54. Romania was among the countries whose economies had been seriously weakened by the application of the sanctions imposed by the Security Council in resolution 661 (1990). It had suffered in particular as a result of the crisis because of its heavy reliance on Iraq as a source of foreign exchange to pay for turnkey projects.

55. The information on Romania provided in the background paper, which contained country-by-country impact studies and had been prepared for the Gulf Task Force, was accurate. UNDP was in a good position to meet the needs of the countries affected. Romania supported the initiatives proposed in the report as well as the proposal to formulate programmes in cooperation with the affected countries and partner institutions. It also endorsed the idea of holding a meeting among the countries affected, donor countries and aid organizations during the course of the year.

56. Mr. FONDI (Italy) said that, as his country's delegation had indicated at the Council's organizational session in February, Italy supported the initiatives taken by UNDP to deal with the impact of the Gulf crisis on developing countries and welcomed the fact that those initiatives had been taken so quickly. With regard to such activities, none the less, UNDP must remain within the limits of its mandate and of the broader action taken by the United Nations system to meet the needs arising from the crisis. He would like to know what the secretariat's position was on the relations envisaged between the Gulf Task Force and the humanitarian group whose creation within UNDP had been proposed by the Administrator.

57. Mr. GUERRERO (Philippines) expressed his country's gratitude to UNDP, the donor countries and all members of the international community for the aid they had given to his country.

58. Mr. PRIESTLEY (Senior Adviser on Humanitarian Affairs) responding to questions about immediate humanitarian needs, said that in his introductory statement, the Director of the Regional Bureau for Arab States and Europe had mentioned the meeting chaired by the Secretary-General the previous week at Geneva, at which a new appeal had been made on behalf of the humanitarian action programme in the Gulf. The document distributed to participants at that meeting would be available shortly.

59. At the pledging conference held on 12 June, donors had undertaken to provide approximately $18 million. Furthermore, France, Italy, Switzerland, Spain and the European Community had announced their intention to make additional contributions. But in spite of that generosity, the funding for the humanitarian programme still met only 45 per cent of all needs. Given the current level of financing, only 50 per cent of food needs could be met. Moreover, that calculation took into account only the needs of the most vulnerable groups, not those of the entire Iraqi population. Since Iraq had previously met 70 per cent of its grain requirements through imports, the food situation in that country was clearly extremely serious. The population's

(Mr. Priestley)

rapidly deteriorating health was also a source of great concern. The Secretary-General had therefore decided to send a high-level mission to Iraq as soon as possible to evaluate current needs and report back to him on the situation. UNDP action to cope with the crisis had been closely coordinated with the Executive Delegate of the Secretary-General and United Nations agencies. UNDP was also awaiting with interest any guidelines that might be issued by the Economic and Social Council on the best way for the United Nations agencies to work together.

60. Mr. Piriz-Ballon (Uruguay) resumed the Chair.

61. Mr. NOUR (Assistant Administrator and Regional Director, Regional Bureau for Arab States and Europe), responding to comments made on other activities of the Gulf Task Force, said that he welcomed the support expressed by delegations in their statements on the item under consideration.

62. The representative of the United States had stressed the issue of coordination in his statement. UNDP had acted in cooperation with Governments and the agencies concerned, the Office of the Secretary-General, and resident representatives and coordinators.

63. The representative of Pakistan had asked if any other funding was available in addition to the $4 million allocated by UNDP to meet needs arising from the Gulf crisis. No other funding was available as yet. As to the criteria for allocating available resources, it was sufficient if there was a direct cause-and-effect relationship between the Gulf crisis and the problems confronting the countries seeking assistance. The contribution made by UNDP should act as a catalyst in building national capacities and be compatible with the development programmes of the countries assisted.

64. UNDP assistance would be organized on the basis of impact categories and would not be granted simply upon request. Requests for assistance would be taken into consideration in the order in which they were received by UNDP; nevertheless, in most cases that order corresponded to the degree of gravity of the situation.

65. The comments by the representative of the United Kingdom would be duly considered within the framework of the dialogue between the Gulf Task Force and UNDP, particularly with regard to the importance of not extending the scope of the operation and of providing additional information on related activities. In any event, the only concern at the current stage was to provide just a provisional assessment; the Gulf Task Force and UNDP would welcome suggestions.

66. With regard to the environment, UNDP was acting jointly with the United Nations Environment Programme (UNEP), the World Meteorological Organization (WMO) and other organizations. A mission would be sent during the summer to evaluate, with UNEP and WMO, the relevant technical assistance needs of the Gulf countries.

(Mr. Nour)

67. It was regrettable that Mr. Nazem Abdalla of the Economic and Social Commission for Western Asia (ESCWA), having been pressed for time, had been unable to include more detailed information on the situation in Turkey in the background paper he had prepared. The missing information on the situation in Turkey - as well information on many other countries - would be provided as soon as possible.

68. Miss JANJUA (Pakistan) asked why her country was not included in the updated version of 14 June of the Special Programme for the Countries Most Affected by the Gulf Crisis: allocations by country and area of need. In table 1 in document DP/1991/60, Pakistan was listed as one of the countries where the impact of the Gulf crisis was greater than 1 per cent of GNP.

69. Mr. NOUR (Assistant Administrator and Regional Director, Regional Bureau for Arab States and Europe) said that in the updated version Pakistan was included under the Multinational Programme (regional migrations), together with Bangladesh, India, the Philippines, Sri Lanka and Viet Nam. The Regional Bureau was aware of the difficulties posed by the migrations issue. In future, it would incorporate any other information that Pakistan provided.

70. The PRESIDENT said that the Council had thus completed its general discussion of the item before it. He suggested that the Drafting Group should prepare a draft decision on the subject.

71. It was so decided.

OTHER FUNDS AND PROGRAMMES (continued)

UNITED NATIONS CAPITAL DEVELOMENT FUND (continued) (DP/1991/43)

72. Mr. KABIR (Observer for Bangladesh) said that the United Nations Capital Development Fund, because of its mandate and characteristics, had been of special significance to the least developed countries. It provided capital assistance that complemented those countries' efforts in the areas of investment and economic and social infrastructure, and attempted to strengthen their local implementation capacity as well as popular participation.

73. The Programme of Action for the Least Developed Countries for the 1990s adopted by the Second United Nations Conference on the Least Developed Countries had recognized the Fund's usefulness and invited donor countries to consider a 20-per-cent-annual increase in overall funding until the end of the decade. Bangladesh supported that proposal and hoped that the international community would respond generously. Increasing the Fund's resources would promote the achievement of the fifth programming cycle objectives and would strengthen the impact of country programmes. The Fund should also receive direct financial support from indicative planning figure sources.

(Mr. Kabir, Observer, Bangladesh)

74. Co-financing arrangements with bilateral and multilateral donors should be intensified because of the Fund's multisectoral nature. Moreover, for the sake of cost-effectiveness, efforts should be made to integrate the Fund's activities with similar programme activities sponsored by different organizations of the United Nations system as part of a cost-sharing arrangement. The UNCDF programming exercise should be conducted within the framework of the UNDP programme exercise in order to avoid duplication, overlapping and piecemeal planning.

75. The Fund should be placed under the direct responsibility of the Administrator. Under the new arrangements, it was imperative to enhance the Fund's identity and integrity, so as to enable it to play a role commensurate with the high expectations of recipient countries.

76. Mr. ROHNER (Switzerland) said that his country had supported the Fund for several years because it supplied the poorest countries with the capital assistance needed for modest investments in the economic and social sphere and because its activities were complementary to the technical cooperation activities of UNDP. Switzerland welcomed the improved quality of the Fund's operations and the increased financial support which it received from donors. Those remarkable results were partially due to the relative autonomy which the Fund enjoyed and to the outstanding qualities of its staff.

77. Switzerland endorsed the efforts made to increase the share of productive activities and grass-roots participation. Such projects should receive technical assistance and be subject to systematic evaluations. His delegation regretted that external constraints had delayed the execution of some projects and hoped that the 1991 results would be better.

78. While the level of loan operations was modest, many projects had "revolving fund" elements, which Switzerland supported.

79. The 20-per-cent increase envisaged in the Fund's overall resources appeared to be possible only if the Fund attracted other donors or if the traditional donors substantially increased their contributions. Lastly, with regard to the report (DP/1991/43), Switzerland would have liked it to provide, in particular, fuller information on co-financing arrangements and project completion.

80. Mr. JERLSTROM (Sweden), speaking on behalf of the four Nordic countries - Denmark, Finland, Norway and Sweden - reaffirmed those countries' support for the Fund, as its value had been demonstrated during its 25 years of existence and its services remained essential. The Fund supplied the capital needed for modest investments to benefit low-income groups and the poorest population segments in the developing countries. It remained a valuable complement to the activities carried out by other organizations of the United Nations system.

(Mr. Jerlstrom, Sweden)

81. In order for the Governing Council to rationalize its work, the Nordic countries would prefer biennial or even triennial sessions, which would be conducive to a thorough consideration of the items on the Council's agenda. With regard to the report (DP/1991/43), the Nordic countries would have liked it to be longer and more focused on the problems impeding project execution, which obviously existed, since a large part of the Fund's resources were not utilized. They would also have appreciated more detailed information on evaluation activities. The Nordic countries would be grateful for comments on that subject from the Secretariat.

82. Mr. ESPADA-PLATET (United States of America) said that his Government recognized the effectiveness of UNCDF and its programme activities and supported the proposal for a 20-per-cent annual increase in its resources adopted by the Second United Nations Conference on the Least Developed Countries. Nevertheless, caution should be exercised with regard to that proposal. UNCDF should first consolidate its achievements in order to maintain programme quality and to ensure the greatest possible impact. In that regard, his delegation noted that, according to paragraph 11 of the Administrator's report (DP/1991/43), the average size of projects had increased to $2.5 million in 1990; he would like to know the previous average size of projects in 1989 and the number of projects which had been funded at more than $4 million.

83. The United States delegation also noted, with regard to project evaluations, that while the majority of projects had achieved most of their objectives, weaknesses had also been identified, including a lack of pre-project data and studies, project management shortcomings, unrealistic schedules and inadequate consideration of maintenance costs in order to ensure long-term viability. In view of the Fund's rapid programme growth, it was critical for the results of those evaluations to be fully integrated into the design and the formulation of new projects.

84. The United States delegation welcomed the fact that the Fund's activities reflected the six priority areas specified in Governing Council decision 90/34; in particular, it welcomed the activities linking poverty alleviation and environmental degradation. With regard to small-scale irrigation schemes, attention should be given to ensuring their long-term sustainability at the community level. The United States delegation would also like to know what linkages existed between such small-scale irrigation schemes and larger projects.

85. Employment and income generation for the poorer segments of society should be a key objective of the Fund's projects, as should the stimulation of local initiative. Thus, the United States delegation had been pleased to note that 58 per cent of the assistance provided by UNCDF for new project approvals in 1990 had been allocated to productive activities. The United States would like the Fund's future reports to the Council to include data on changes in project-related employment and income.

(Mr. Espada-Platet, United States)

86. The projects devoted to meeting basic needs should take into account issues of sustainability. While it was appropriate for the Fund to focus its efforts on promoting micro-enterprise activities, the United States delegation would like to know whether the Fund had utilized the experience gained elsewhere and whether it had shared its own experience in that area.

87. With regard to the Fund's loan operations, it was necessary to exercise caution in order to ensure that UNCDF did not move into areas which were more appropriate for other organizations. The United States delegation would like to know what criteria were used in granting loans; it had understood one criterion to be the income-generating potential of the project. It would also like to know exactly how loans were paid back.

88. The United States urged UNCDF, as it developed a role as an advocate for the least developed countries in the United Nations system, to work closely with other organizations which focused on the poor. UNCDF should also exercise caution in its choice of projects funded in countries outside the least-developed category.

The meeting rose at 6.05 p.m.